Interim Review
January 1 – September 30, 2021

Valmet's Interim Review
January 1 – September 30, 2021

Orders received increased to EUR 1.1 billion and Comparable EBITA to EUR 107 million in the third quarter

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

July–September 2021: Comparable EBITA margin improved to 11.4 percent

- Orders received increased 58 percent to EUR 1,107 million (EUR 700 million).
  - Orders received increased in all business lines.
  - Orders received increased in Asia-Pacific, North America and EMEA (Europe, Middle East and Africa), remained at the previous year's level in South America, and decreased in China.
- Net sales increased 12 percent to EUR 935 million (EUR 832 million).
  - Net sales increased in the Pulp and Energy, Paper and Services business lines, and remained at the previous year's level in the Automation business line.
- Comparable earnings before interest, taxes and amortization (Comparable EBITA) were EUR 107 million (EUR 91 million), and the corresponding Comparable EBITA margin was 11.4 percent (10.9%).
  - Comparable EBITA increased due to higher gross profit.
- Earnings per share were EUR 0.50 (EUR 0.38).
- Items affecting comparability amounted to EUR 0 million (EUR -3 million).
- Cash flow provided by operating activities was EUR 57 million (EUR 94 million).

January–September 2021: Orders received and Comparable EBITA increased

- Orders received increased 34 percent to EUR 3,647 million (EUR 2,712 million).
  - Orders received increased in all business lines.
  - Orders received increased in all areas.
- Net sales increased 6 percent to EUR 2,736 million (EUR 2,573 million).
  - Net sales increased in the Paper business line, remained at the previous year's level in the Services, and Pulp and Energy business lines, and decreased in the Automation business line.
- Comparable earnings before interest, taxes and amortization (Comparable EBITA) were EUR 282 million (EUR 218 million), and the corresponding Comparable EBITA margin was 10.3 percent (8.5%).
  - Comparable EBITA increased due to higher gross profit.
- Earnings per share were EUR 1.31 (EUR 0.88).
- Items affecting comparability amounted to EUR 10 million (EUR -11 million).
- Cash flow provided by operating activities was EUR 385 million (EUR 418 million).

Guidance for 2021 unchanged

Valmet reiterates its guidance issued on April 16, 2021, in which Valmet estimates that net sales in 2021 will increase in comparison with 2020 (EUR 3,740 million) and Comparable EBITA in 2021 will increase in comparison with 2020 (EUR 365 million).

Short-term market outlook

Valmet estimates that the short-term market outlook for services has improved to good (previously good/satisfactory) and the short-term market outlook for tissue has decreased to satisfactory (previously good). Valmet reiterates the good short-term market outlook for automation, pulp, and board and paper and the weak short-term market outlook for energy.

President and CEO Pasi Laine: Order backlog amounted to EUR 4.2 billion

"Valmet's orders received increased to EUR 1.1 billion in the third quarter of 2021. Orders received increased in all business lines. In the stable business (Services and Automation business lines), orders received increased to EUR 451 million[1]. In the capital business (Paper, and Pulp and Energy business lines), orders received increased to EUR 681 million.

Our order backlog reached a record high of EUR 4.2 billion, which is EUR 942 million higher than at the end of 2020.

Net sales increased both in the stable and capital business and amounted to EUR 935 million. The Comparable EBITA increased as well, and the Comparable EBITA margin was 11.4 percent.

On September 22, Valmet's and Neles' Extraordinary General Meetings resolved to approve the merger of Valmet and Neles. The planned closing date of the merger is January 1, 2022. The execution of the merger is still subject to obtaining the necessary merger control approvals by the relevant competition authorities, and therefore the planned closing date may still change."

[1] *Including Automation package sales to capital projects*

Merger with Neles

On July 2, 2021, Valmet announced that the Boards of Directors of Valmet Oyj and Neles Corporation have 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. The planned closing date of the merger is January 1, 2022. The planned closing date may be delayed due to the regulatory processes ongoing. Should the closing be delayed from January 1, 2022, Valmet will issue a stock exchange release on the matter and the prospectus will be supplemented once there is more clarity on the timetable of the regulatory processes. Until the completion of the merger Valmet and Neles will carry out their respective businesses as separate and independent companies.

Key figures[1]

EUR million	Q3/2021	Q3/2020	Change	Q1–Q3/ 2021	Q1–Q3/ 2020	Change
Orders received	**1,107**	700	58%	**3,647**	2,712	34%
Order backlog[2]	**4,199**	3,311	27%	**4,199**	3,311	27%
Net sales	**935**	832	12%	**2,736**	2,573	6%
Comparable earnings before interest, taxes and amortization (Comparable EBITA)	**107**	91	18%	**282**	218	29%
% of net sales	**11.4%**	10.9%		**10.3%**	8.5%	
Earnings before interest, taxes and amortization (EBITA)	**107**	87	22%	**293**	208	41%
% of net sales	**11.4%**	10.5%		**10.7%**	8.1%	
Operating profit (EBIT)	**95**	79	19%	**255**	184	39%
% of net sales	**10.1%**	9.5%		**9.3%**	7.1%	
Profit before taxes	**95**	75	27%	**253**	174	45%
Profit for the period	**75**	57	32%	**197**	131	50%
Earnings per share, EUR	**0.50**	0.38	32%	**1.31**	0.88	50%
Earnings per share, diluted, EUR	**0.50**	0.38	32%	**1.31**	0.88	50%
Equity per share, EUR[2]	**8.10**	6.81	19%	**8.10**	6.81	19%
Cash flow provided by operating activities	**57**	94	-39%	**385**	418	-8%
Cash flow after investments	**19**	-380		**312**	-100	
Return on equity (ROE) (annualized)				**22%**	17%	
Return on capital employed (ROCE) before taxes (annualized)				**21%**	17%	
Equity to assets ratio[2]				**41%**	38%	
Gearing[2]				**-1%**	18%	

[1] *The calculation of key figures is presented on page 50.*
[2] *At end of period.*

Orders received, EUR million	Q3/2021	Q3/2020	Change	Q1–Q3/ 2021	Q1–Q3/ 2020	Change
Services	**343**	288	19%	**1,099**	1,014	8%
Automation	**83**	65	29%	**277**	238	17%
Pulp and Energy	**150**	52	>100%	**937**	643	46%
Paper	**531**	295	80%	**1,334**	818	63%
Total	**1,107**	700	58%	**3,647**	2,712	34%

Order backlog, EUR million	As at Sep 30, 2021	As at Sep 30, 2020	Change	As at Jun 30, 2021
Total	**4,199**	3,311	27%	4,019

Net sales, EUR million	Q3/2021	Q3/2020	Change	Q1–Q3/ 2021	Q1–Q3/ 2020	Change
Services	**324**	307	5%	**951**	924	3%
Automation	**76**	72	5%	**206**	218	-5%
Pulp and Energy	**260**	211	23%	**729**	717	2%
Paper	**276**	242	14%	**849**	713	19%
Total	**935**	832	12%	**2,736**	2,573	6%

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/2021-q3 on Tuesday, October 26, 2021, at 2:00 p.m. Finnish time (EEST). President and CEO Pasi Laine and CFO Kari Saarinen 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. Conference call participants are requested to dial in at least five minutes prior to the start of the conference at

Finland +358 981710310
United Kingdom +44 3333000804
France +33 170750711
Germany +49 6913803430
Norway +47 23500243
Sweden +46 856642651
United States +1 6319131422

The participants will be asked to provide the conference PIN: 94442099#.

All questions should be presented in English.

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

Important notice

The merger of Valmet and Neles Corporation ("Neles") and the merger consideration securities have not been and will not be registered under the U.S. Securities Act of 1933 (the "U.S. Securities Act"), and may not be offered, sold or delivered within or into the United States, except pursuant to an applicable exemption of, or in a transaction not subject to, the U.S. Securities Act.

The information in this report is not directed to, or intended for distribution to or use by, any person or entity that is a citizen or resident of, or located in, any locality, state, country or other jurisdiction where such distribution or use would be contrary to law or regulation or which would require any registration or licensing within such jurisdiction and it does not constitute an offer of or an invitation by or on behalf of, Valmet, or any other person, to purchase any securities.

Valmet's Interim Review January 1 – September 30, 2021

Orders received increased in all business lines in Q3/2021

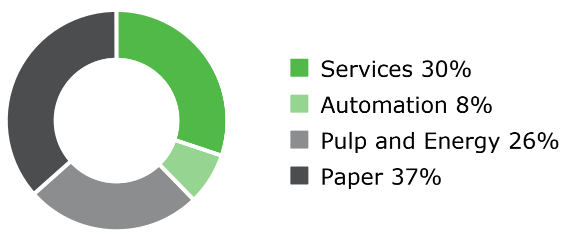
Orders received, EUR million	Q3/2021	Q3/2020	Change	Q1–Q3/ 2021	Q1–Q3/ 2020	Change
Services	**343**	288	19%	**1,099**	1,014	8%
Automation	**83**	65	29%	**277**	238	17%
Pulp and Energy	**150**	52	>100%	**937**	643	46%
Paper	**531**	295	80%	**1,334**	818	63%
Total	**1,107**	700	58%	**3,647**	2,712	34%

Orders received, comparable foreign exchange rates, EUR million[1]	Q3/2021	Q3/2020	Change	Q1–Q3/ 2021	Q1–Q3/ 2020	Change
Services	**338**	288	17%	**1,115**	1,014	10%
Automation	**83**	65	29%	**280**	238	18%
Pulp and Energy	**147**	52	>100%	**937**	643	46%
Paper	**521**	295	76%	**1,345**	818	64%
Total	**1,090**	700	56%	**3,677**	2,712	36%

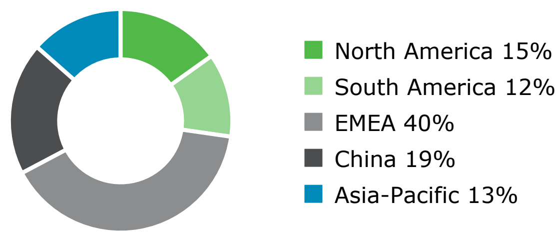
[1] *Indicative only. January–September 2021 orders received in euro calculated by applying January–September 2020 average exchange rates to the functional currency orders received values reported by entities.*

Orders received, EUR million	Q3/2021	Q3/2020	Change	Q1–Q3/ 2021	Q1–Q3/ 2020	Change
North America	**217**	109	99%	**553**	363	52%
South America	**42**	40	5%	**442**	358	24%
EMEA	**425**	296	44%	**1,458**	1,072	36%
China	**101**	192	-47%	**702**	658	7%
Asia-Pacific	**322**	64	>100%	**492**	260	89%
Total	**1,107**	700	58%	**3,647**	2,712	34%

Orders received by business line, Q1–Q3/2021



Orders received by area, Q1–Q3/2021



July–September 2021: Orders received increased to EUR 1,107 million
Orders received increased 58 percent to EUR 1,107 million (EUR 700 million) in July–September. The Services and Automation business lines together accounted for 38 percent (50%) of Valmet's orders received. Orders received increased in all business lines.

Orders received increased in Asia-Pacific, North America and EMEA, remained at the previous year's level in South America, and decreased in China. Measured by orders received, the top three countries were Indonesia, the USA and Turkey, which together accounted for 48 percent of total orders received. The emerging markets accounted for 53 percent (57%) of orders received.

Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2020 increased orders received by approximately EUR 17 million in July–September.

During July–September, Valmet received among others an order for a container board making line to Turkey, typically valued at around EUR 90–110 million, an order for an OptiConcept M board production line to the USA, typically valued at around EUR 80–90 million, an order for a coated board making line to Asia, an order for a tissue line to Russia, typically valued at around EUR 20–40 million, and an order for a turnkey biopower plant to Austria.

January–September 2021: Orders received increased in all business lines

Orders received increased 34 percent to EUR 3,647 million (EUR 2,712 million) in January–September. The Services and Automation business lines together accounted for 38 percent (46%) of Valmet's orders received. Orders received increased in all business lines.

Orders received increased in all areas. Measured by orders received, the top three countries were China, Finland and the USA, which together accounted for 48 percent of total orders received. The emerging markets accounted for 53 percent (53%) of orders received.

Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2020 decreased orders received by approximately EUR 30 million during January–September.

In addition to the above-mentioned, during January–September, Valmet received among others an order for all main process islands and automation for a bioproduct mill in Finland, valued at about EUR 350–400 million, an order for a major pulp and board technology delivery to Brazil, typically valued at around EUR 320–360 million, an order for coated board and fine paper making lines to China, typically valued at around EUR 190–220 million, an order for main equipment for a textile recycling plant in Sweden, valued at around EUR 25 million, and tissue line orders from Turkey and Russia.

Order backlog reached a new record of EUR 4.2 billion

Order backlog, EUR million	**As at September 30, 2021**	As at September 30, 2020	Change	As at June 30, 2021
Total	**4,199**	3,311	27%	4,019

Order backlog amounted to EUR 4,199 million at the end of the reporting period, which is at the same level as at the end of June 2021 and 27 percent higher than at the end of September 2020. Approximately 25 percent of the order backlog relates to stable business (Services and Automation business lines, approximately 30% at the end of September 2020).

Net sales increased especially in the capital business in Q3/2021

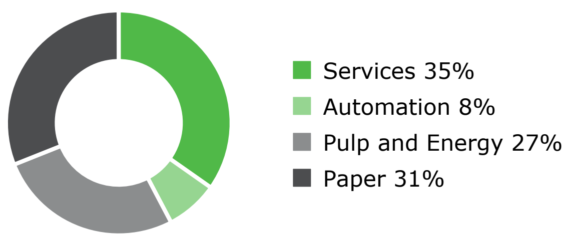
Net sales, EUR million	**Q3/2021**	Q3/2020	Change	**Q1–Q3/ 2021**	Q1–Q3/ 2020	Change
Services	**324**	307	5%	**951**	924	3%
Automation	**76**	72	5%	**206**	218	-5%
Pulp and Energy	**260**	211	23%	**729**	717	2%
Paper	**276**	242	14%	**849**	713	19%
Total	**935**	832	12%	**2,736**	2,573	6%

Net sales, comparable foreign exchange rates, EUR million[1]	**Q3/2021**	Q3/2020	Change	**Q1–Q3/ 2021**	Q1–Q3/ 2020	Change
Services	**321**	307	4%	**965**	924	4%
Automation	**75**	72	4%	**210**	218	-4%
Pulp and Energy	**256**	211	21%	**730**	717	2%
Paper	**271**	242	12%	**854**	713	20%
Total	**923**	832	11%	**2,759**	2,573	7%

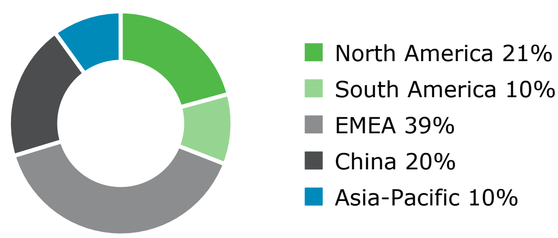
[1] *Indicative only. January–September 2021 net sales in euro calculated by applying January–September 2020 average exchange rates to the functional currency net sales values reported by entities.*

Net sales, EUR million	**Q3/2021**	Q3/2020	Change	**Q1–Q3/ 2021**	Q1–Q3/ 2020	Change
North America	**178**	139	28%	**569**	479	19%
South America	**87**	141	-38%	**277**	436	-36%
EMEA	**378**	334	13%	**1,079**	1,051	3%
China	**191**	119	60%	**538**	294	83%
Asia-Pacific	**101**	100	2%	**273**	313	-13%
Total	**935**	832	12%	**2,736**	2,573	6%

Net sales by business line, Q1–Q3/2021



Net sales by area, Q1–Q3/2021



July–September 2021: Net sales increased to EUR 935 million

Net sales increased 12 percent to EUR 935 million (EUR 832 million) in July–September. The Services and Automation business lines together accounted for 43 percent (46%) of Valmet's net sales. Net sales increased in the Pulp and Energy, Paper and Services business lines, and remained at the previous year's level in the Automation business line.

Net sales increased in China, North America and EMEA, remained at the previous year's level in Asia-Pacific, and decreased in South America. Measured by net sales, the top three countries were China, the USA and Finland, which together accounted for 47 percent of total net sales. Emerging markets accounted for 48 percent (48%) of net sales.

Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2020 increased net sales by approximately EUR 12 million in July–September.

January–September 2021: Net sales increased in the Paper business line

Net sales amounted to EUR 2,736 million (EUR 2,573 million) during January–September. The Services and Automation business lines together accounted for 42 percent (44%) of Valmet's net sales. Net sales increased in the Paper business line, remained at the previous year's level in the Services, and Pulp and Energy business lines, and decreased in the Automation business line.

Net sales increased in China and North America, remained at the previous year's level in EMEA, and decreased in South America and Asia-Pacific. Measured by net sales, the top three countries were China, the USA and Finland, which together accounted for 46 percent of total net sales. Emerging markets accounted for 46 percent (46%) of net sales.

Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2020 decreased net sales by approximately EUR 23 million during January–September.

Comparable EBITA and operating profit

In July–September, comparable earnings before interest, taxes and amortization (Comparable EBITA) were EUR 107 million, i.e. 11.4 percent of net sales (EUR 91 million and 10.9%). Comparable EBITA increased due to higher gross profit.

In January–September, Comparable EBITA were EUR 282 million, i.e. 10.3 percent of net sales (EUR 218 million and 8.5%). Comparable EBITA increased due to higher gross profit.

On EBITA, Valmet's investment in Neles had a positive impact of EUR 3 million in July–September and EUR 10 million in January–September.

Operating profit (EBIT) in July–September was EUR 95 million, i.e. 10.1 percent of net sales (EUR 79 million and 9.5%). Items affecting comparability amounted to EUR 0 million (EUR -3 million).

Operating profit in January–September was EUR 255 million, i.e. 9.3 percent of net sales (EUR 184 million and 7.1%). Items affecting comparability amounted to EUR 10 million (EUR -11 million).

Valmet's investment in Neles had no material impact on operating profit in July–September or in January–September.

Net financial income and expenses

Net financial income and expenses in July–September were EUR 0 million (EUR -5 million). In January–September, net financial income and expenses were EUR -2 million (EUR -8 million).

Profit before taxes and earnings per share

Profit before taxes for July–September was EUR 95 million (EUR 75 million). The profit attributable to owners of the parent in July–September was EUR 75 million (EUR 57 million), corresponding to earnings per share (EPS) of EUR 0.50 (EUR 0.38).

In January–September, profit before taxes was EUR 253 million (EUR 174 million). The profit attributable to owners of the parent was EUR 196 million (EUR 131 million), corresponding to earnings per share (EPS) of EUR 1.31 (EUR 0.88).

Valmet's investment in Neles had no material impact on the financial result in July–September or in January–September.

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

In January–September, the annualized return on capital employed (ROCE) before taxes was 21 percent (17%) and the annualized return on equity (ROE) was 22 percent (17%).

Business lines

Services: Orders received and net sales increased in Q3/2021

Services business line	**Q3/2021**	Q3/2020	Change	**Q1–Q3/ 2021**	Q1–Q3/ 2020	Change
Orders received (EUR million)	**343**	288	19%	**1,099**	1,014	8%
Net sales (EUR million)	**324**	307	5%	**951**	924	3%
Personnel (end of period)				**5,953**	6,093	-2%

In July–September, orders received by the Services business line increased 19 percent to EUR 343 million (EUR 288 million). Services accounted for 31 percent (41%) of Valmet's orders received. Orders received increased in all areas except for South America, where orders received decreased. Orders received increased in all businesses except for Board, Paper and Tissue Solutions, where orders received remained at the previous year's level. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2020 increased orders received by approximately EUR 4 million.

In January–September, orders received by the Services business line increased 8 percent to EUR 1,099 million (EUR 1,014 million). Services accounted for 30 percent (37%) of all orders received. Orders received increased in North America, China and Asia-Pacific, and remained at the previous year's level in South America and EMEA. Orders received increased in all businesses. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2020 decreased orders received by approximately EUR 16 million.

Net sales for the Services business line amounted to EUR 324 million (EUR 307 million) in July–September, corresponding to 35 percent (37%) of Valmet's net sales. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2020 increased net sales by approximately EUR 3 million.

In January–September, net sales for the Services business line amounted to EUR 951 million (EUR 924 million), corresponding to 35 percent (36%) of Valmet's net sales. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2020 decreased net sales by approximately EUR 14 million.

COVID-19 related travel restrictions and lower capacity utilization in graphical paper mills impacted Services' business environment during January–September.

Automation: Orders received increased and net sales remained at the previous year's level in Q3/2021

Automation business line	Q3/2021	Q3/2020	Change	Q1–Q3/ 2021	Q1–Q3/ 2020	Change
Orders received (EUR million)	**83**	65	29%	**277**	238	17%
Net sales (EUR million)	**76**	72	5%	**206**	218	-5%
Personnel (end of period)				**1,973**	1,908	3%

In July–September, orders received by the Automation business line increased 29 percent to EUR 83 million (EUR 65 million) and accounted for 8 percent (9%) of Valmet's orders received. Orders received increased in all areas except for Asia-Pacific, where orders received remained at the previous year's level. Orders received increased in both Pulp and Paper, and Energy and Process. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2020 did not have a material impact on orders received.

In January–September, orders received by the Automation business line increased 17 percent to EUR 277 million (EUR 238 million). Automation accounted for 8 percent (9%) of Valmet's orders received. Orders received increased in China and EMEA, remained at the previous year's level in Asia-Pacific and North America, and decreased in South America. Orders received increased in Pulp and Paper and remained at the previous year's level in Energy and Process. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2020 decreased orders received by approximately EUR 3 million.

Net sales for the Automation business line amounted to EUR 76 million (EUR 72 million) in July–September, corresponding to 8 percent (9%) of Valmet's net sales. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2020 increased net sales by approximately EUR 1 million.

In January–September, net sales for the Automation business line amounted to EUR 206 million (EUR 218 million), corresponding to 8 percent (8%) of Valmet's net sales. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2020 decreased net sales by approximately EUR 3 million.

COVID-19 caused access restrictions to some customer sites, which impacted Automation's business environment during January–September.

Pulp and Energy: Orders received and net sales increased in Q3/2021

Pulp and Energy business line	Q3/2021	Q3/2020	Change	Q1–Q3/ 2021	Q1–Q3/ 2020	Change
Orders received (EUR million)	**150**	52	>100%	**937**	643	46%
Net sales (EUR million)	**260**	211	23%	**729**	717	2%
Personnel (end of period)				**1,929**	1,820	6%

In July–September, orders received by the Pulp and Energy business line increased to EUR 150 million (EUR 52 million). Pulp and Energy accounted for 14 percent (7%) of Valmet's orders received. Orders received increased in all areas except for China, where orders received decreased. Orders received decreased in Pulp and increased in Energy. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2020 increased orders received by approximately EUR 3 million.

In January–September, orders received by the Pulp and Energy business line increased 46 percent to EUR 937 million (EUR 643 million). Pulp and Energy accounted for 26 percent (24%) of all orders received. Orders received increased in all areas except for South America, where orders received decreased. Orders received increased in both Pulp and Energy. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2020 increased orders received by approximately EUR 1 million.

Net sales for the Pulp and Energy business line amounted to EUR 260 million (EUR 211 million) in July–September, corresponding to 28 percent (25%) of Valmet’s net sales. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2020 increased net sales by approximately EUR 4 million.

In January–September, net sales for the Pulp and Energy business line amounted to EUR 729 million (EUR 717 million), corresponding to 27 percent (28%) of Valmet’s net sales. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2020 decreased net sales by approximately EUR 1 million.

The Pulp and Energy business line has managed challenges caused by COVID-19 well, and therefore the pandemic did not cause major impacts on its operations during January–September.

Paper: Orders received and net sales increased in Q3/2021

Paper business line	**Q3/2021**	Q3/2020	Change	**Q1–Q3/ 2021**	Q1–Q3/ 2020	Change
Orders received (EUR million)	**531**	295	80%	**1,334**	818	63%
Net sales (EUR million)	**276**	242	14%	**849**	713	19%
Personnel (end of period)				**3,683**	3,050	21%

In July–September, orders received by the Paper business line increased 80 percent to EUR 531 million (EUR 295 million) and accounted for 48 percent (42%) of Valmet's orders received. Orders received increased in all areas except for China, where orders received decreased. Orders received increased in Board and Paper, as well as in Stock Preparation and Recycled Fiber, and decreased in Tissue. Small and Medium size Machines (the acquired PMP Group) contributed EUR 18 million to orders received of the Paper business line. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2020 increased orders received by approximately EUR 9 million.

In January–September, orders received by the Paper business line increased 63 percent to EUR 1,334 million (EUR 818 million). Paper accounted for 37 percent (30%) of all orders received. Orders received increased in all areas except for China, where orders received decreased. Orders received increased in Board and Paper, as well as in Stock Preparation and Recycled Fiber, and remained at the previous year's level in Tissue. Small and Medium size Machines (the acquired PMP Group) contributed EUR 42 million to orders received. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2020 decreased orders received by approximately EUR 11 million.

Net sales for the Paper business line amounted to EUR 276 million (EUR 242 million) in July–September, corresponding to 29 percent (29%) of Valmet’s net sales. Small and Medium size

Machines (the acquired PMP Group) contributed EUR 28 million to net sales. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2020 increased net sales by approximately EUR 5 million.

In January–September, net sales for the Paper business line amounted to EUR 849 million (EUR 713 million), corresponding to 31 percent (28%) of Valmet's net sales. Small and Medium size Machines (the acquired PMP Group) contributed EUR 65 million to net sales. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2020 decreased net sales by approximately EUR 4 million.

The Paper business line has managed challenges caused by COVID-19 well, and therefore the pandemic did not cause major impacts on its operations during January–September.

Cash flow and financing

Cash flow provided by operating activities amounted to EUR 57 million (EUR 94 million) in July–September and EUR 385 million (EUR 418 million) in January–September. Net working capital totaled EUR -721 million (EUR -629 million) at the end of the reporting period. Change in net working capital in the statement of cash flows was EUR -49 million (EUR -2 million) in July–September and EUR 135 million (EUR 206 million) in January–September. Payment schedules of large capital projects have a significant impact on net working capital development.

Cash flow after investments totaled EUR 19 million (EUR -380 million) in July–September, and EUR 312 million (EUR -100 million) in January–September.

At the end of September, gearing was -1 percent (18%) and equity to assets ratio was 41 percent (38%). Interest-bearing liabilities amounted to EUR 476 million (EUR 517 million), and net interest-bearing liabilities totaled EUR -17 million (EUR 184 million) at the end of the reporting period.

The average maturity of Valmet's non-current debt was 3.0 years, and average interest rate was 0.9 percent at the end of September. Lease liabilities have been excluded from calculation of these two key performance indicators.

Valmet's liquidity was strong at the end of the reporting period, with cash and cash equivalents amounting to EUR 458 million (EUR 264 million) and interest-bearing current financial assets totaling EUR 36 million (EUR 68 million). Valmet's liquidity was additionally secured by a committed and unused revolving credit facility worth of EUR 200 million, which expires in 2024, and an uncommitted and unused commercial paper program worth of EUR 200 million.

Financing of the merger with Neles

In order to support and finance the completion of the merger with Neles, on July 2, 2021, Valmet entered into re- and back-up financing agreements comprising of EUR 695 million term loan facilities. The merger with Neles is still subject to obtaining of merger control and other regulatory approvals. The planned effective date of the merger is on or about January 1, 2022, subject to all conditions for completion being fulfilled. Until the completion of the merger Valmet and Neles will carry out their respective businesses as separate and independent companies.

Capital expenditure

Gross capital expenditure (excluding business combinations and leased assets) totaled EUR 22 million (EUR 21 million) in July–September, of which maintenance investments were EUR 9 million (EUR 11 million).

In January–September, gross capital expenditure (excluding business combinations and leased assets) totaled EUR 69 million (EUR 65 million), of which maintenance investments were EUR 30 million (EUR 28 million).

Acquisitions and disposals

Acquisitions

On July 1, 2021, Valmet announced that it had completed the acquisition of EWK Umwelttechnik GmbH and ECP Group Oy following the agreements that were announced on June 10, 2021. EWK Umwelttechnik is a German company manufacturing and supplying air emission control systems and after-installation services. The company employs approximately 50 employees and had net sales of approximately EUR 22 million in 2020. ECP Group is a manufacturer and maintainer of electrostatic precipitators (ESP), focusing on power plants and pulp and paper industry, in Finland. Net sales of ECP Group were approximately EUR 6 million in 2020 and it employs around 20 employees.

EWK Umwelttechnik and ECP Group have been consolidated into the Group financials as of July 1, 2021. EWK Umwelttechnik is reported under the Pulp and Energy business line and ECP Group under the Services business line.

Disposals

Valmet made no disposals during January–September 2021.

Merger with Neles

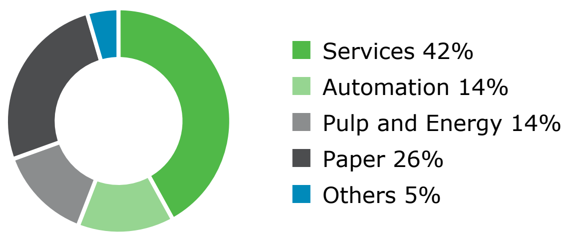
On July 2, 2021, Valmet announced that the Boards of Directors of Valmet Oyj and Neles Corporation have signed a combination agreement and a merger plan to combine the two companies through a merger. Both companies held an Extraordinary General Meeting on September 22, 2021, and both EGMs approved the merger. The planned closing date of the merger is January 1, 2022. The planned closing date may be delayed due to the regulatory processes ongoing. Should the closing be delayed from January 1, 2022, Valmet will issue a stock exchange release on the matter and the prospectus will be supplemented once there is more clarity on the timetable of the regulatory processes. Until the completion of the merger Valmet and Neles will carry out their respective businesses as separate and independent companies.

Personnel

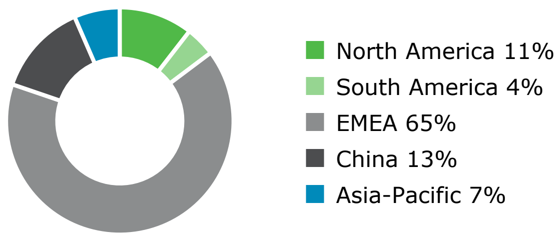
Personnel by business line	**As at September 30, 2021**	As at September 30, 2020	Change	As at June 30, 2021
Services	**5,953**	6,093	-2%	6,115
Automation	**1,973**	1,908	3%	1,974
Pulp and Energy	**1,929**	1,820	6%	1,897
Paper	**3,683**	3,050	21%	3,754
Other	**641**	563	14%	622
Total	**14,179**	13,434	6%	14,362

Personnel by area	**As at September 30, 2021**	As at September 30, 2020	Change	As at June 30, 2021
North America	**1,489**	1,522	-2%	1,508
South America	**602**	553	9%	602
EMEA	**9,287**	8,684	7%	9,457
China	**1,878**	1,788	5%	1,872
Asia-Pacific	**923**	887	4%	923
Total	**14,179**	13,434	6%	14,362

Personnel by business line as at September 30, 2021



Personnel by area as at September 30, 2021



During January–September, Valmet employed an average of 14,149 people (13,550). The number of personnel at the end of September was 14,179 (13,434). Personnel expenses totaled EUR 700 million (EUR 665 million) in January–September, of which wages, salaries and remuneration amounted to EUR 550 million (EUR 523 million).

Impacts of the COVID-19 pandemic on Valmet

The COVID-19 pandemic impacted Valmet's operations during January–September. COVID-19 related travel restrictions and lower capacity utilization in graphical paper mills impacted Services' business environment. Many customers restricted access to their sites, which led to disturbances especially in field services and mill improvement projects. Also the Automation business line was negatively impacted by access restrictions to some customer sites. In the stable business, there were signs of reduced component availability and delivery times of certain components becoming longer towards the end of the third quarter.

The Pulp and Energy, and Paper business lines have managed challenges caused by COVID-19 well, and therefore the pandemic has not caused major impacts on the capital 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. For example, the increased use of Industrial Internet and remote connections resulted in lower travel expenses in January–September.

On November 24, 2020, Valmet announced that due to financial and production related reasons, especially because of the decreasing workload, the company was to start co-determination negotiations for temporary lay-offs in Finland on November 24, 2020. The employees under negotiations were Services business line’s employees in Finland and the employees of the EMEA area organization in Finland. The lay-offs were estimated to last up to 90 days at maximum and to concern around 360 employees.

On December 2, 2020, Valmet announced that the co-determination negotiations have been completed, and as a result altogether 372 employees, 227 in the Services business line and 145 employees in the EMEA area organization in Finland were to be temporarily laid-off due to low workload. The lay-offs concerned all employee groups. The lay-offs were to be implemented until the end of April, 2021, and the scope and length of a lay-off varied up to 90 days at maximum per person.

Changes in Valmet’s Executive Team

Valmet announced on November 19, 2020, that Mr. Jukka Tiitinen (M.Sc., Eng.) has been appointed Area President of Valmet’s North America Area as of April 1, 2021. Until then, he was employed at Valmet as Area President, Asia Pacific. Jukka Tiitinen continues as a member of Valmet’s Executive Team reporting to President and CEO Pasi Laine. Mr. David King, the former Area President, North America, retired after a long, successful career at Valmet as of March 31, 2021.

Valmet announced on February 5, 2021, that Mr. Petri Paukkunen (B.Sc., Eng.) has been appointed Area President, Asia Pacific Area at Valmet as of April 1, 2021. Until then, he was employed as Vice President, Board and Paper Mills business unit in Valmet’s Paper business line. Petri Paukkunen became a member of Valmet’s Executive Team and reports to President and CEO Pasi Laine.

Strategic goals and their implementation

Valmet is the leading global developer and supplier of technologies, automation and services for the pulp, paper and energy industries. Valmet focuses on delivering technology and services globally to industries that use bio-based raw materials. Valmet's main customer industries are pulp, paper and energy. These are all major global industries that offer growth potential for the future. Valmet is committed to moving its customers' performance forward.

Valmet’s vision is to become the global champion in serving its customers, and its mission is to convert renewable resources into sustainable results. Valmet seeks to achieve its strategic targets by pursuing the following Must-Win initiatives: ‘customer excellence’, ‘leader in technology and innovation’, ‘excellence in processes’ and ‘winning team’.

Valmet’s product and service portfolio consists of productivity-enhancing services, automation solutions, plant upgrades and rebuilds, new cost-efficient equipment and solutions for optimizing energy and raw material usage, and technologies increasing the value of our customers' end products.

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.

Valmet's financial targets are the following:

Financial targets

- Net sales for stable business to grow over two times the market growth
- Net sales for capital business to exceed market growth
- Comparable EBITA: 10–12%
- Comparable return on capital employed (pre-tax), ROCE: at least 20%
- Dividend payout at least 50% of net profit

Continued focus on improving profitability

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

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

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

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

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

Progress in sustainability

During July–September 2021, Valmet progressed with the actions defined in its Sustainability360° agenda.

Valmet's climate program – Forward to a carbon neutral future – has made good progress and the first actions have been implemented successfully across the value chain, including Valmet's own operations, the supply chain, and the use of Valmet's technologies by its customers. In July, the climate program's targets were approved by the Science Based

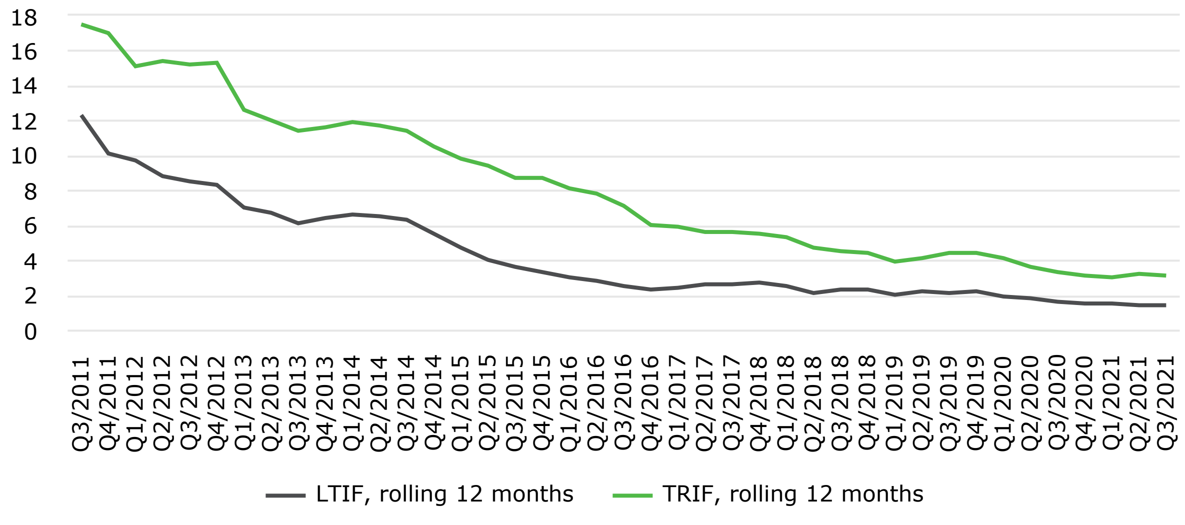
Targets initiative, which means that the targets support the Paris Climate Agreement's goal to limit global warming to 1.5°C and are based on the latest climate science.

As part of Valmet´s sustainable supply chain process, the company conducts supplier sustainability audits with a certified third-party auditor to ensure its suppliers operate in compliance with Valmet's Sustainable Supply Chain Policy and local and international law. During July–September, Valmet conducted 11 supplier sustainability audits globally, seven in India, one in Finland, one in Sweden, one in Thailand and one remotely in Brazil. Valmet's target is to conduct at least 40 sustainability audits by the end of 2021.

In September 2021, Valmet's mid-year review discussions were completed by 98 percent of the employees included in the annual review process. Valmet also carried out its fifth OurVoice employee survey to measure engagement and performance excellence levels. The results showed that Valmet continues to make progress in many areas and compares well with other similar benchmark companies, particularly with performance excellence. In total, 81 percent of employees participated in the survey, which gives a very good base for discussion and taking action to develop the company forward.

At the end of September, Valmet's lost time incident frequency rate (LTIF) for own employees was 1.4 (1.6 at the end of September 2020) and the total recordable incident frequency rate (TRIF) for own employees was 3.1 (3.3 at the end of September 2020). During the quarter, Valmet has been implementing a lifting safety program in its roll workshops and on selected customer sites. Several HSE best practice workshops were held with key suppliers in China. Valmet also continued preventive and protective measures as part of its global COVID-19 management activities.

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 announced on September 13, 2021, that the Supreme Administrative Court has partly accepted Valmet's appeal related to the reassessment decision received by Valmet Technologies Inc concerning tax years 2010–2012. The reassessment decision concerned compensation charged by Valmet Technologies Inc from its foreign subsidiaries and based on the decision, Valmet was imposed to pay additional taxes, late payment interest and penalties in total of EUR 19 million during the first quarter 2017. The Supreme Administrative Court ruled in its decision made on September 13, 2021, that the company shall receive a refund of about EUR 4 million for additional taxes, late payment interest and penalties.

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 2020, which comply with the recommendations of the Finnish Corporate Governance Code for listed companies. These reports also cover other central areas of corporate governance, and they have been published on Valmet's website, separately from the Report of the Board of Directors, at www.valmet.com/governance.

Shares and shareholders

Share capital, number of shares and shareholders

	As at September 30, 2021	As at September 30, 2020
Share capital, EUR	**100,000,000**	100,000,000
Number of shares	**149,864,619**	149,864,619
Treasury shares	**391,086**	370,274
Shares outstanding	**149,473,533**	149,494,345
Market capitalization, EUR million	**4,697**	3,167
Number of shareholders	**58,919**	49,242

Shareholder structure as at September 30, 2021

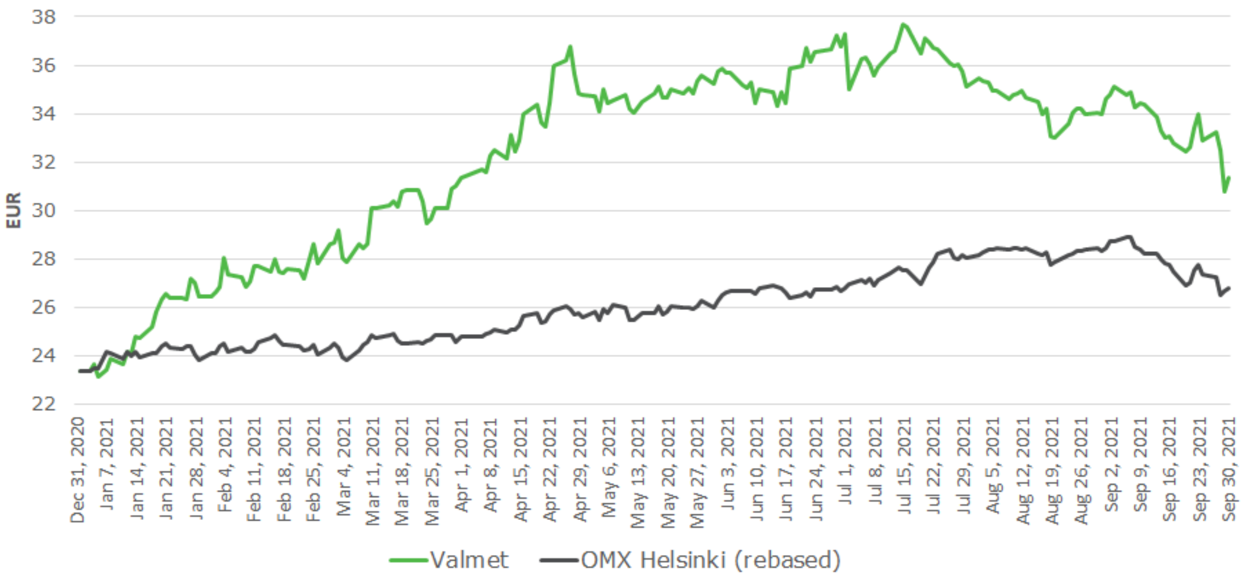
Trading of shares

Trading of Valmet shares on Nasdaq Helsinki	**January 1 – September 30, 2021**	January 1 - September 30, 2020
Number of shares traded	**76,921,350**	125,586,609
Total value, EUR million	**2,453**	2,650
High, EUR	**37.95**	25.20
Low, EUR	**23.02**	13.33
Volume-weighted average price, EUR	**31.91**	21.10
Closing price on the final day of trading, EUR	**31.34**	21.13

The closing price of Valmet's share on the final day of trading for the reporting period, September 30, 2021, was EUR 31.34, i.e. 34 percent higher than the closing price on the last day of trading in 2020 (EUR 23.36 on December 30, 2020).

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 15 million Valmet shares were traded on these three alternative marketplaces in January–September (Source: www.valmet.com/investors/valmet-share/trading-volumes/).

Development of Valmet's share price, December 31, 2020 – September 30, 2021



Flagging notifications

During the review period, Valmet did not receive flagging notifications referred to in the Securities Market Act.

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 23, 2021, authorized Valmet's Board of Directors to decide on the repurchase of the Company's own shares in one or several tranches. The maximum number of shares to be repurchased shall be 5,000,000 shares, which corresponds to approximately 3.3 percent of all the shares in the Company. 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 stock exchange main list maintained by Nasdaq Helsinki Ltd on the date of the repurchase.

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 pursuant to Chapter 10(1) of the Finnish Limited Liability Companies Act 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 Oyj. 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 subject to the conditions mentioned in the Finnish Limited Liability Companies Act.

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 Limited Liability Companies Act. The Board of Directors may use this authorization, for example, for reasons of developing the Company's capital structure, in financing or carrying out acquisitions, investments or other business transactions, or for the shares to be used in incentive schemes, however so that the Board of Directors may issue a maximum of 500,000 shares to be used in incentive schemes, which corresponds to approximately 0.3 percent of all the shares in the Company.

The authorizations shall remain in force until the close of the next Annual General Meeting, and they cancel the authorizations granted in the Annual General Meeting of June 16, 2020.

Based on the authorization granted to the Board of Directors by the Annual General Meeting, Valmet's Board of Directors decided on September 8, 2021 on a directed share issue related to the reward payment of Valmet's long-term share-based incentive plan for the discretionary period 2020. In the share issue on September 13, 2021, a total of 272 Valmet's treasury shares were conveyed without consideration to the participants of the plan, in accordance with the terms and conditions of the plan.

As at September 30, 2021, Valmet's Board of Directors had not used any other authorizations given by the Annual General meeting on March 23, 2021.

Share-based incentive plans

Valmet's share-based incentive plans are part of the remuneration program for Valmet's key personnel. The aim of the plans is to align the interests of the shareholders and the key employees in order to increase the value of Valmet in the long run, to steer the key employees towards achieving the Company's selected strategic targets, to commit the key employees to the Company, and to offer them a competitive reward plan based on holding the Company's shares. Any shares to be potentially awarded are, or have been, acquired through public trading, and therefore the incentive plans have no diluting effect on the share value.

Long-term incentive plan 2018–2020

In December 2017, the Board of Directors of Valmet Oyj approved a long-term share-based incentive plan for Valmet's key employees. The plan included three performance periods, which were the calendar years 2018, 2019 and 2020. Valmet's Board of Directors decided on the performance criteria and targets in the beginning of each performance period. The plan was directed to approximately 130 participants (including Executive Team members, key employees and management talents).

Performance period	2018	2019	2020
Incentive based on	Comparable EBITA as a percentage of net sales, and orders received growth in the stable business	Comparable EBITA as a percentage of net sales, and orders received growth in the stable business	Comparable EBITA as a percentage of net sales, and orders received growth in the stable business
Reward payment	In spring 2019	In spring 2020	In spring 2021
Total gross number of shares earned	350,029	272,762	149,386

In its meeting on December 17, 2020, the Board of Directors of Valmet decided to use the authorization granted by the Annual General Meeting held on June 16, 2020, 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 10, 2021, and ended on February 12, 2021. The total number of shares acquired was 100,000. The shares were acquired at market price in public trading on Nasdaq Helsinki Ltd.

In the same meeting, Valmet's Board of Directors also decided on a directed share issue related to the reward payment of Valmet's long-term share-based incentive plan for the discretionary period 2020. In the share issue on March 15, 2021, a total of 82,375 Valmet's treasury shares were conveyed without consideration to the participants of the plan, in accordance with the terms and conditions of the plan.

Valmet's Board of Directors decided on September 8, 2021, on a directed share issue related to the reward payment of Valmet's long-term share-based incentive plan for the discretionary period 2020. In the share issue on September 13, 2021, a total of 272 Valmet's treasury shares were conveyed without consideration to the participants of the plan, in accordance with the terms and conditions of the plan. The directed share issue was based on the authorization granted to the Board of Directors by the Annual General Meeting held on March 23, 2021.

Long-term incentive plan 2021–2023

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.

Performance Share Plan

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.

Performance period	2021	2021–2023
Incentive based on	Comparable EBITA as a percentage of net sales, and orders received growth in the stable business	Predefined strategic target for a three-year performance period
Reward payment	In spring 2022	In spring 2024

Deferred Share Plan

The Deferred Share Plan is directed to other key employees and management talents. It includes a one-year performance period, the year 2021. The predefined performance measures and targets are decided by Valmet's Board of Directors and are the same as in the Executive Team's 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.

Performance period	**2021**
Incentive based on	Comparable EBITA as a percentage of net sales, and orders received growth in the stable business
Reward payment	In spring 2022

The rewards to be paid for performance periods 2021–2023 on the basis of the Performance Share Plan and the Deferred Share Plan will correspond to a maximum total of 460,000 shares.

The Board of Directors of Valmet Oyj approved in December 2017 a share ownership recommendation for Valmet's Executive Team members. All members of the Executive Team are recommended to own and hold an amount of Company shares equaling to 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.

At the end of the reporting period, the Company held 391,086 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 2021 was held in Helsinki on March 23, 2021. The Annual General Meeting adopted the Financial Statements for 2020 and discharged the members of the Board of Directors and the President and CEO from liability for the 2020 financial year. In respect of the approval of the Remuneration Report 2020, the majority of votes objected to the approval of the Remuneration Report. The decision is advisory. Valmet will further analyze the voting recommendations and voting results in order to ensure that the remuneration report will better meet the shareholders' expectations. The Annual General Meeting approved the Board of Directors' proposals concerning authorizing the Board 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 0.90 per share for the financial period ended on December 31, 2020.

The Annual General Meeting 2021 confirmed the number of Board members as eight and reappointed Mikael Mäkinen as Chairman of Valmet Oyj's Board and Aaro Cantell as Vice-Chairman. Pekka Kemppainen, Monika Maurer, Eriikka Söderström, Tarja Tyni and Rogério Ziviani continue as members of the Board. Per Lindberg was elected as a new Board member.

The term of office of the members of the Board of Directors expires at the close of the Annual General Meeting 2022.

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 23, 2021, concerning the resolutions of the Annual General Meeting and the organizing meeting of the Board of Directors. The stock exchange release and meeting materials can be viewed on Valmet's website at www.valmet.com/agm.

In compliance with the resolution of the Annual General Meeting, on April 7, 2021, Valmet paid out dividends of EUR 135 million, corresponding to EUR 0.90 per share.

Extraordinary General Meeting

On August 9, 2021, Valmet published a notice convening an Extraordinary General Meeting. The EGM was held on September 22, 2021. The General Meeting approved the merger of Neles Corporation into Valmet through a statutory absorption merger under the Finnish Companies Act (624/2006, as amended) in accordance with the merger plan signed by the Boards of Directors of Valmet and Neles on July 2, 2021, and approved the Merger Plan. The Merger as a whole and the resolution of the General Meeting including the resolutions concerning the amendment of the Articles of Association of Valmet, issuance of new shares in Valmet as Merger Consideration, increase of share capital of Valmet, the number of members, composition and remuneration of the Board of Directors of Valmet and the temporary deviation from the Charter of Valmet's Shareholders' Nomination Board are conditional upon and will become effective upon the registration of the execution of the Merger.

The execution of the Merger is still subject to, inter alia, obtaining necessary merger control approvals by the relevant competition authorities. The planned Effective Date of the Merger is January 1, 2022. The planned Effective Date may change, and the actual Effective Date may be earlier or later than the above-mentioned date.

Valmet published a stock exchange release on September 22, 2021, concerning the resolutions of the EGM. The stock exchange release and meeting materials can be viewed on Valmet's website at www.valmet.com/egm.

Risks and business uncertainties

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

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

In assessing risks, Valmet takes into consideration the probability of the risks and their estimated impact on net sales and financial results. Valmet's management estimates that the

Company’s overall risk level is currently manageable in proportion to the scope of its operations and the practical measures available for managing these risks.

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

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

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

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

Should 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. Wage inflation is continuing, but Valmet’s goal is to offset this at least partly through increased productivity and strict price discipline. 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.

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 3.0 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 at the level of total depreciation.

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

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

As at September 30, 2021, Valmet had EUR 728 million (EUR 680 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.

The COVID-19 pandemic

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

Epidemic outbreaks and potential other pandemics remain a heightened 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 has also a Global Incident Management Team (IMT), and regional IMT structure established to manage Valmet's response to pandemics.

Events after the reporting period

On October 6, 2021, Valmet cancelled the EUR 345 million back-up term loan facility related to the merger with Neles, as the amount of cash redemption demands made at the Extraordinary General Meeting of Neles on September 22, 2021, was minor.

Valmet announced on October 20, 2021, that it has closed the syndication regarding the EUR 350 million term loan facilities that were signed on July 2, 2021. The term loan facilities will be used to refinance part of the existing indebtedness of Valmet and Neles in connection with the merger. The execution of the merger is still subject to, inter alia, obtaining necessary merger control approvals by the relevant competition authorities.

Valmet announced on October 20, 2021, that it has signed a new EUR 300 million syndicated revolving credit facility agreement. The facility refinances the existing EUR 200 million credit facility and its margin will be partly adjusted based on Valmet's progress in meeting its Climate program targets.

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

Guidance for 2021 unchanged

Valmet reiterates its guidance issued on April 16, 2021, in which Valmet estimates that net sales in 2021 will increase in comparison with 2020 (EUR 3,740 million) and Comparable EBITA in 2021 will increase in comparison with 2020 (EUR 365 million).

Market outlook

General economic outlook according to IMF

The global economic recovery is continuing, even as the pandemic resurges. IMF projects the global economy to grow 5.9 percent in 2021 and 4.9 percent in 2022. The 2021 forecast was lowered somewhat, reflecting a downgrade for advanced economies—in part due to supply disruptions—and for low-income developing countries, largely due to worsening pandemic dynamics. This is partially offset by stronger near-term prospects among some commodity-exporting emerging market and developing economies. Rapid spread of Delta and the threat of new variants have increased uncertainty about how quickly the pandemic can be overcome. (IMF World Economic Outlook, October 13, 2021)

Short-term market outlook

Valmet estimates that the short-term market outlook for services has improved to good (previously good/satisfactory) and the short-term market outlook for tissue has decreased to satisfactory (previously good). Valmet reiterates the good short-term market outlook for automation, pulp, and board and paper and the weak short-term market outlook for energy.

In Espoo on October 26, 2021

Valmet's Board of Directors

Important notice

Securities laws in the United States and in other jurisdictions restrict Valmet from discussing or disclosing any information with respect to the contemplated merger with Neles further to the information disclosed in this report. Information regarding the contemplated merger can be found at www.valmet.com/merger. Until the completion of the merger Valmet and Neles will carry out their respective businesses as separate and independent companies. The information contained in this report concerns only Valmet.

The merger of Valmet and Neles and the merger consideration securities have not been and will not be registered under the U.S. Securities Act, and may not be offered, sold or delivered within or into the United States, except pursuant to an applicable exemption of, or in a transaction not subject to, the U.S. Securities Act.

The information in this report is not directed to, or intended for distribution to or use by, any person or entity that is a citizen or resident of, or located in, any locality, state, country or other jurisdiction where such distribution or use would be contrary to law or regulation or which would require any registration or licensing within such jurisdiction and it does not constitute an offer of or an invitation by or on behalf of, Valmet, or any other person, to purchase any securities.

The information in this report contains forward-looking statements, which are information on Valmet's current expectations and projections relating to its financial condition, results of operations, plans, objectives, future performance and business. These statements may include, without limitation, any statements preceded by, followed by or including words such as "target," "believe," "expect," "aim," "intend," "may," "anticipate," "estimate," "plan," "project," "will," "can have," "likely," "should," "would," "could" and other words and terms of similar meaning or the negative thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond Valmet's control that could cause Valmet's actual results, performance or achievements to be materially different from the expected results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding Valmet's present and future business strategies and the environment in which it will operate in the future.

Consolidated statement of income

EUR million	Q3/2021	Q3/2020	Q1–Q3/ 2021	Q1–Q3/ 2020
Net sales	**935**	832	**2,736**	2,573
Cost of goods sold	**-699**	-624	**-2,044**	-1,950
Gross profit	**237**	209	**692**	622
Selling, general and administrative expenses	**-138**	-130	**-435**	-427
Other operating income and expenses, net	**-4**	—	**-2**	-13
Share in profits and losses of associated companies, operative investments	**—**	—	**—**	1
Operating profit	**95**	79	**255**	184
Financial income and expenses, net	**—**	-5	**-2**	-8
Share in profits and losses of associated companies, financial investments	**—**	—	**—**	-2
Profit before taxes	**95**	75	**253**	174
Income taxes	**-19**	-18	**-57**	-43
Profit for the period	**75**	57	**197**	131
Attributable to:				
Owners of the parent	**75**	57	**196**	131
Non-controlling interests	**—**	—	**1**	—
Profit for the period	**75**	57	**197**	131
Earnings per share attributable to owners of the parent:				
Earnings per share, EUR	**0.50**	0.38	**1.31**	0.88
Diluted earnings per share, EUR	**0.50**	0.38	**1.31**	0.88

Consolidated statement of comprehensive income

EUR million	**Q3/2021**	Q3/2020	**Q1–Q3/ 2021**	Q1–Q3/ 2020
Profit for the period	**75**	57	**197**	131
Items that may be reclassified to profit or loss:				
Cash flow hedges	**-3**	8	**-18**	11
Currency translation on subsidiary net investments	**3**	-13	**16**	-27
Share of other comprehensive income of associated companies accounted for using equity method	**-1**	—	**—**	—
Income tax relating to items that may be reclassified	**—**	-2	**4**	-2
Total items that may be reclassified to profit or loss	**—**	-6	**2**	-18
Items that will not be reclassified to profit or loss:				
Remeasurement of defined benefit plans	**-4**	8	**16**	-12
Income tax relating to items that will not be reclassified	**1**	-2	**-4**	3
Total items that will not be reclassified to profit or loss	**-3**	6	**12**	-9
Other comprehensive income for the period	**-3**	—	**13**	-27
Total comprehensive income for the period	**72**	57	**210**	104
Attributable to:				
Owners of the parent	**72**	57	**209**	104
Non-controlling interests	**—**	—	**1**	—
Total comprehensive income for the period	**72**	57	**210**	104

Consolidated statement of financial position

Assets

EUR million	As at September 30, 2021	As at September 30, 2020	As at December 31, 2020
Non-current assets			
Intangible assets			
Goodwill	**728**	680	711
Other intangible assets	**274**	248	272
Total intangible assets	**1,002**	928	983
Property, plant and equipment			
Land and water areas	**25**	25	25
Buildings and structures	**120**	116	124
Machinery and equipment	**180**	166	178
Leased assets	**64**	65	66
Assets under construction	**69**	56	48
Total property, plant and equipment	**458**	429	441
Other non-current assets			
Investments in associated companies	**458**	466	468
Non-current financial assets	**12**	13	23
Deferred tax assets	**70**	68	61
Non-current income tax receivables	**23**	28	27
Other non-current assets	**15**	14	14
Total other non-current assets	**577**	589	592
Total non-current assets	**2,038**	1,946	2,016
Current assets			
Inventories			
Materials and supplies	**82**	89	89
Work in progress	**446**	383	355
Finished products	**148**	107	110
Total inventories	**676**	579	553
Receivables and other current assets			
Trade receivables	**552**	450	602
Amounts due from customers under revenue contracts	**243**	199	229
Other current financial assets	**73**	91	124
Income tax receivables	**40**	32	28
Other receivables	**144**	121	133
Cash and cash equivalents	**458**	264	274
Total receivables and other current assets	**1,510**	1,157	1,389
Total current assets	**2,186**	1,736	1,943
Total assets	**4,224**	3,682	3,959

Consolidated statement of financial position

Equity and liabilities

EUR million	As at September 30, 2021	As at September 30, 2020	As at December 31, 2020
Equity			
Share capital	**100**	100	100
Reserve for invested unrestricted equity	**426**	423	423
Cumulative translation adjustments	**-25**	-43	-40
Hedge and other reserves	**7**	10	21
Retained earnings	**704**	529	633
Equity attributable to owners of the parent	**1,211**	1,019	1,137
Non-controlling interests	**6**	5	6
Total equity	**1,217**	1,024	1,142
Liabilities			
Non-current liabilities			
Non-current debt	**195**	417	417
Non-current lease liabilities	**38**	40	40
Post-employment benefits	**187**	204	201
Non-current provisions	**23**	37	47
Other non-current liabilities	**6**	12	18
Deferred tax liabilities	**70**	60	65
Total non-current liabilities	**519**	770	789
Current liabilities			
Current debt	**222**	38	18
Current lease liabilities	**22**	22	22
Trade payables	**340**	294	372
Current provisions	**186**	155	164
Amounts due to customers under revenue contracts	**1,222**	991	1,002
Other current financial liabilities	**25**	16	29
Income tax liabilities	**62**	57	65
Other current liabilities	**409**	316	357
Total current liabilities	**2,488**	1,888	2,029
Total liabilities	**3,007**	2,658	2,817
Total equity and liabilities	**4,224**	3,682	3,959

Consolidated statement of cash flows

EUR million	Q3/2021	Q3/2020	Q1–Q3/ 2021	Q1–Q3/ 2020
Cash flows from operating activities				
Profit for the period	**75**	57	**197**	131
Adjustments				
Depreciation and amortization	**30**	25	**90**	77
Financial income and expenses	**—**	5	**2**	8
Income taxes	**19**	18	**57**	43
Other non-cash items	**4**	8	**-19**	17
Change in net working capital	**-49**	-2	**135**	206
Net interests and dividends received	**-1**	-2	**-2**	-4
Income taxes paid	**-21**	-15	**-74**	-60
Net cash provided by (+) / used in (-) operating activities	**57**	94	**385**	418
Cash flows from investing activities				
Capital expenditure on fixed assets	**-22**	-21	**-69**	-65
Proceeds from sale of fixed assets	**—**	—	**1**	—
Business combinations, net of cash acquired and loans repaid	**-16**	—	**-15**	—
Investments in associated companies	**—**	-453	**10**	-453
Net cash provided by (+) / used in (-) investing activities	**-38**	-474	**-74**	-518
Cash flows from financing activities				
Redemption of own shares	**—**	—	**-3**	-6
Dividends paid	**-1**	-15	**-135**	-120
Proceeds from non-current debt	**—**	179	**100**	329
Repayments of non-current debt	**—**	—	**-119**	-101
Repayments of lease liabilities	**-6**	-6	**-19**	-20
Change in current debt	**—**	-20	**—**	20
Financial investments	**15**	-8	**38**	-47
Net cash provided by (+) / used in (-) financing activities	**8**	130	**-138**	55
Net increase (+) / decrease (-) in cash and cash equivalents	**27**	-251	**174**	-45
Effect of changes in exchange rates on cash and cash equivalents	**—**	-4	**10**	-7
Cash and cash equivalents at beginning of period	**431**	518	**274**	316
Cash and cash equivalents at end of the period	**458**	264	**458**	264

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, 2021	**100**	**423**	**-40**	**21**	**633**	**1,137**	**6**	**1,142**
Profit for the period	—	—	—	—	196	**196**	1	**197**
Other comprehensive income for the period	—	—	16	-15	12	**13**	—	**13**
Total comprehensive income for the period	—	—	16	-15	208	**209**	1	**210**
Transactions with owners in their capacity as owners								
Dividends	—	—	—	—	-135	**-135**	-1	**-135**
Purchase of treasury shares	—	—	—	—	-3	**-3**	—	**-3**
Share-based payments, net of tax	—	3	—	—	—	**2**	—	**2**
Balance at September 30, 2021	**100**	**426**	**-25**	**7**	**704**	**1,211**	**6**	**1,217**
Balance at January 1, 2020	100	421	-16	1	534	1,040	6	1,046
Profit for the period	—	—	—	—	131	131	—	131
Other comprehensive income for the period	—	—	-27	9	-9	-27	—	-27
Total comprehensive income for the period	—	—	-27	9	122	104	—	104
Transactions with owners in their capacity as owners								
Dividends	—	—	—	—	-120	-120	—	-120
Purchase of treasury shares	—	—	—	—	-6	-6	—	-6
Share-based payments, net of tax	—	2	—	—	-1	1	—	1
Balance at September 30, 2020	100	423	-43	10	529	1,019	5	1,024

Basis of preparation

General information

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

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

These condensed consolidated interim financial statements were approved for issue on October 26, 2021.

Basis of presentation

These condensed consolidated interim financial statements for the nine months ended September 30, 2021, 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, 2020, 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, 2021. 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, 2020.

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

Key exchange rates

	Average rates		**Period-end rates**	
	Q1–Q3/2021	Q1–Q3/2020	**Q3/2021**	Q3/2020
USD (US dollar)	**1.1972**	1.1293	**1.1579**	1.1708
SEK (Swedish krona)	**10.1436**	10.5648	**10.1683**	10.5713
CNY (Chinese yuan)	**7.7422**	7.8872	**7.4847**	7.9720

Business combinations

Acquisition of PMP Group

The acquisition of PMP Group in Poland, announced on September 11, 2020, was completed on October 1, 2020. The business combination accounting for the acquisition of PMP Group was finalized on June 30, 2021. During the six months ended June 30, 2021, there were no material changes made to the provisional amounts recognized as at December 31, 2020.

Acquisitions of EWK Umwelttechnik and ECP Group

On July 1, 2021, Valmet completed the acquisition of EWK Umwelttechnik GmbH. EWK Umwelttechnik is a German company manufacturing and supplying air emission control systems and after-installation services. The net sales of EWK Umwelttechnik were approximately EUR 22 million in 2020. The company employs approximately 50 employees mainly in Kaiserslautern, Germany.

The acquired business has been consolidated into the Group financials from the acquisition date onwards. The assumed accounting for the acquisition of EWK Umwelttechnik, including estimated purchase consideration, is based on provisional amounts and the associated purchase accounting is not final.

On July 1, 2021, Valmet completed the acquisition of ECP Group Oy. ECP Group is a manufacturer and maintainer of electrostatic precipitators (ESP), focusing on power plants and pulp and paper industry, in Finland. The net sales of ECP Group were approximately EUR 6 million in 2020. The company, founded in 2002, is headquartered in Vantaa, Finland, and employs around 20 employees. The acquired business has been consolidated into the Group financials from the acquisition date onwards.

The acquisitions of EWK Umwelttechnik and ECP Group did not, individually or in aggregate, have a material impact on the results or financial position of Valmet, or its financial reporting for the nine months ended September 30, 2021.

Reporting segments and geographic information

The Group’s Chief Operating Decision Maker (CODM) is the President and CEO of Valmet. Valmet’s four business lines are highly integrated through complementing product and service offerings and joint customer projects. Thus, the operations and profitability of Valmet is reported as a single reportable segment with the key operative decisions being made by the CODM at the Valmet Group level.

The performance of the Group is reviewed by the CODM. One key indicator of performance reviewed 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 the Group'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 law suits) 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).

EUR million	Q3/2021	Q3/2020	Q1–Q3/ 2021	Q1–Q3/ 2020
Net sales	**935**	832	**2,736**	2,573
Comparable EBITA	**107**	91	**282**	218
% of net sales	**11.4%**	10.9%	**10.3%**	8.5%
Operating profit	**95**	79	**255**	184
% of net sales	**10.1%**	9.5%	**9.3%**	7.1%
Amortization	**-12**	-8	**-37**	-24
Depreciation, property, plant and equipment (excl. leased assets)	**-12**	-12	**-35**	-35
Depreciation, leased assets	**-6**	-6	**-18**	-18
Gross capital expenditure (excl. business combinations and leased assets)	**-22**	-21	**-69**	-65
Additions to leased assets	**-5**	-4	**-14**	-23
Business combinations, net of cash acquired and loans repaid	**-16**	—	**-15**	—
Additions to investments in associated companies	**—**	-453	**—**	-453
Capital employed, end of period			**1,693**	1,541
Orders received	**1,107**	700	**3,647**	2,712
Order backlog, end of period			**4,199**	3,311

Reconciliation between Comparable EBITA, EBITA and Operating profit

EUR million	Q1–Q3/ 2021	Q1–Q3/ 2020
Comparable EBITA	**282**	218
Items affecting comparability in cost of sales		
Expenses related to capacity adjustments	**—**	-3
Expensing of fair value adjustments recognized in business combinations	**-2**	-1
Other items affecting comparability	**1**	-1
Items affecting comparability in selling, general and administrative expenses		
Expenses related to capacity adjustments	**—**	-4
Expenses related to acquisitions	**-5**	-2
Other items affecting comparability	**—**	—
Items affecting comparability in other operating income and expenses		
Expenses related to capacity adjustments	**—**	—
Other items affecting comparability[1]	**6**	—
Items affecting comparability in share in profits and losses of associated companies, operative investments		
Other items affecting comparability	**11**	—
EBITA	**293**	208
Amortization included in cost of sales		
Other intangibles	**-1**	-1
Amortization included in selling, general and administrative expenses		
Intangibles recognized in business combinations	**-15**	-13
Other intangibles	**-10**	-10
Amortization included in share in profits and losses of associated companies, operative investments		
Other intangibles	**-11**	—
Operating profit	**255**	184

[1] *Includes income arising from real estate related transactions.*

Entity-wide information

Valmet has operations globally in over 35 countries. Measured by net sales, the top three countries in January–September 2021 were China, the USA and Finland, which together accounted for 46 percent of total net sales. In January–September 2020, the top three countries were the USA, Brazil and China, which together accounted for 37 percent of total net sales. Net sales for Finland (the country of domicile) amounted EUR 274 million in January–September 2021 (EUR 238 million).

Net sales by destination:

Q1–Q3/2021: EUR 2,736 million

Q1–Q3/2020: EUR 2,573 million

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

EUR million	North America	South America	EMEA	China	Asia-Pacific	Total
Q1–Q3/2021	**2**	**1**	**59**	**5**	**1**	**69**
Q1–Q3/2020	3	1	53	6	1	65

Revenue

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

Net sales by business lines:

EUR million	Q3/2021	Q3/2020	Q1–Q3/2021	Q1–Q3/2020
Services	**324**	307	**951**	924
Automation	**76**	72	**206**	218
Pulp and Energy	**260**	211	**729**	717
Paper	**276**	242	**849**	713
Total	**935**	832	**2,736**	2,573

Timing of revenue recognition:

EUR million	Q3/2021	Q3/2020	Q1–Q3/ 2021	Q1–Q3/ 2020
Performance obligations satisfied at a point in time	**412**	379	**1,143**	1,099
Performance obligations satisfied over time	**523**	454	**1,594**	1,473
Total	**935**	832	**2,736**	2,573

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

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

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

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

Amounts due from customers under revenue contracts:

EUR million	Q1–Q3/ 2021	Q1–Q3/ 2020	2020
Carrying value at beginning of the period	**229**	263	263
Translation differences	**1**	-3	1
Acquired in business combinations	**—**	—	—
Revenue recognized in the period	**469**	478	628
Transfers to trade receivables	**-455**	-538	-664
Carrying value at end of the period	**243**	199	229

Amounts due to customers under revenue contracts:

EUR million	**Q1–Q3/ 2021**	Q1–Q3/ 2020	2020
Carrying value at beginning of the period	**1,002**	913	913
Translation differences	**22**	-34	-30
Acquired in business combinations	**5**	—	39
Revenue recognized in the period	**-1,618**	-1,279	-2,008
Consideration invoiced and/or received	**1,811**	1,392	2,088
Carrying value at end of the period	**1,222**	991	1,002

EUR million	**As at September 30, 2021**	As at September 30, 2020	As at December 31, 2020
Amounts due to customers under revenue contracts for which revenue is recognized			
Point in time	**364**	282	308
Over time	**858**	709	694
Carrying value at end of the period	**1,222**	991	1,002

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

As at September 30, 2021, Valmet had no costs to obtain or fulfill contracts capitalized under IFRS 15.

The aggregate amount of transaction price allocated to unsatisfied or partially satisfied performance obligations as at September 30, 2021, was EUR 4,199 million (EUR 3,311 million).

Net working capital

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

EUR million	As at September 30, 2021	As at September 30, 2020	As at December 31, 2020	Q1–Q3/ 2021 impact
Assets included in net working capital				
Non-current trade receivables	**1**	1	1	**—**
Other non-current assets	**15**	14	14	**-1**
Inventories	**676**	579	553	**-122**
Trade receivables	**552**	450	602	**50**
Amounts due from customers under revenue contracts	**243**	199	229	**-15**
Derivative financial instruments (assets)	**44**	31	68	**24**
Other receivables	**144**	121	133	**-11**
Liabilities included in net working capital				
Post-employment benefits	**-187**	-204	-201	**-15**
Provisions	**-209**	-192	-211	**-2**
Other non-current non-interest-bearing liabilities	**-3**	-3	-3	**—**
Trade payables	**-340**	-294	-372	**-31**
Amounts due to customers under revenue contracts	**-1,222**	-991	-1,002	**220**
Derivative financial instruments (liabilities)	**-28**	-24	-44	**-15**
Other current liabilities	**-408**	-315	-355	**53**
Total net working capital	**-721**	-629	-588	**133**
Effect of changes in foreign exchange rates				**-11**
Remeasurement of defined benefit plans				**17**
Change in allowance for doubtful receivables and inventory obsolescence provision				**-7**
Acquired in business combinations				**3**
Change in net working capital in the Consolidated statement of cash flows				**135**

Intangible assets and property, plant and equipment

Intangible assets

EUR million	Q1–Q3/2021	Q1–Q3/2020	2020
Carrying value at beginning of the period	**983**	941	941
Translation differences	**9**	-10	-15
Capital expenditure	**21**	21	29
Acquired in business combinations	**16**	—	61
Amortization charges for the period	**-27**	-24	-33
Impairment losses	**—**	—	-1
Other changes and disposals	**—**	1	1
Carrying value at end of the period	**1,002**	928	983

Property, plant and equipment (excl. leased assets)

EUR million	Q1–Q3/2021	Q1–Q3/2020	2020
Carrying value at beginning of the period	**375**	365	365
Translation differences	**6**	-11	-9
Capital expenditure	**48**	44	60
Acquired in business combinations	**—**	—	8
Depreciation charges for the period	**-35**	-35	-47
Other changes and disposals	**—**	—	-1
Carrying value at end of the period	**394**	363	375

Leases

Leased assets

EUR million	Q1–Q3/2021	Q1–Q3/2020	2020
Carrying value at beginning of the period	**66**	65	65
Translation differences	**1**	-2	-2
Additions	**14**	23	27
Acquired in business combinations	**3**	—	2
Depreciation	**-18**	-18	-24
Other changes	**-1**	-3	-3
Carrying value at end of the period	**64**	65	66

Investments in associated companies

Valmet acquired 29.5 percent of Neles' shares and voting rights during July–September 2020. There has been no change in Valmet's ownership since September 30, 2020.

Valmet's and Neles' financial statements are coterminous, but as Neles publishes its interim reports at or near the same time as Valmet, Valmet's share of Neles' results are accounted for with a lag of one quarter. Valmet's condensed consolidated interim financial statements for the nine months ended September 30, 2021, include Valmet's share of Neles' fourth-quarter 2020 and first and second quarter 2021 results, amounting to EUR 11 million.

Valmet had no material transactions with Neles or its other associated companies in the nine months ended September 30, 2021, or material receivables or liabilities as at September 30, 2021.

Summarized financial information for Neles is set out below.

EUR million	**Neles[1]**
Balance sheet	
Non-current assets	**215**
Current assets	**433**
Non-current liabilities	**216**
Current liabilities	**173**
Net assets	**259**
Valmet's share of net assets	**77**
Income statement	
Revenue	**430**
Profit or loss	**36**
Total comprehensive income	**38**

Reconciliation to carrying values in Valmet Group:

EUR million	**Q1-Q3/2021[1]**
Net assets at beginning of the period	**253**
Profit for the period	**36**
Other comprehensive income for the period	**3**
Dividends paid	**-33**
Net assets at end of the period	**259**
Valmet's share of net assets	**77**
Notional goodwill and fair value adjustments	**367**
Carrying value at end of the period	**444**
Market value of listed shares at end of the period	**526**

[1] *Balance sheet as at June 30, 2021, and income statement for Q4/2020–Q2/2021.*

Changes in Valmet's investment in Neles during the period:

EUR million	Q1-Q3/2021
Historical cost	
Historical cost at beginning of the period	**456**
Additions	**—**
Historical cost at end of the period	**456**
Equity adjustments	
Equity adjustments at beginning of the period	**-2**
Profit for the period	**11**
Other comprehensive income for the period	**1**
Dividends received	**-10**
Expensing of fair value adjustments	**-11**
Other adjustments	**-1**
Equity adjustments at end of the period	**-12**
Carrying value at end of the period	**444**

There were no material changes in Valmet's investments in its other associated companies during January–September 2021.

Financial instruments

Derivative financial instruments

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

As at September 30, 2020	Notional amount	Fair value, assets	Fair value, liabilities	Fair value, net
Forward exchange contracts[1]	3,004	30	-20	10
Interest rate swaps[1]	75	1	-4	-3
Electricity forward contracts[2]	153	—	-1	-1
Nickel forward contracts[3]	18	—	—	—

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

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

Classification of financial assets and liabilities:

EUR million	As at September 30, 2021	As at September 30, 2020
Non-current financial assets		
Equity investments at fair value through other comprehensive income	1	1
Equity investments at fair value through profit or loss	2	2
Loan receivables at amortized cost	1	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	7	8
Carrying value at end of the period	12	13
Current financial assets		
Interest-bearing financial assets at fair value through other comprehensive income	36	68
Non-interest-bearing financial assets at amortized cost	6	5
Trade receivables at amortized cost	552	450
Derivative financial instruments at fair value through profit or loss	15	5
Derivative financial instruments qualified for hedge accounting	22	17
Cash and cash equivalents at amortized cost	458	264
Carrying value at end of the period	1,088	809

EUR million	As at September 30, 2021	As at September 30, 2020
Non-current financial liabilities		
Loans from financial institutions at amortized cost	195	417
Lease liabilities at amortized cost	38	40
Derivative financial instruments at fair value through profit or loss	—	—
Derivative financial instruments qualified for hedge accounting	3	9
Carrying value at end of the period	236	466
Current financial liabilities		
Loans from financial institutions at amortized cost	222	18
Lease liabilities at amortized cost	22	22
Interest-bearing liabilities at amortized cost	—	20
Trade payables at amortized cost	340	294
Derivative financial instruments at fair value through profit or loss	9	6
Derivative financial instruments qualified for hedge accounting	17	9
Carrying value at end of the period	609	369

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

Level 1

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

Level 2

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

Level 3

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

Provisions

EUR million	Q1–Q3/2021	Q1–Q3/2020	2020
Carrying value at beginning of the period	**211**	173	173
Translation differences	**1**	-4	-3
Additions charged to profit or loss	**81**	86	136
Acquired in business combinations	**2**	—	1
Used reserve	**-43**	-46	-63
Reversal of reserve	**-44**	-17	-32
Carrying value at end of the period	**209**	192	211
Non-current	**23**	37	47
Current	**186**	155	164

Contingencies and commitments

EUR million	As at September 30, 2021	As at September 30, 2020	As at December 31, 2020
Guarantees on behalf of Valmet Group	**1,397**	1,035	1,032

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.

Key ratios

	Q1–Q3/2021	Q1–Q3/2020
Earnings per share, EUR	**1.31**	0.88
Diluted earnings per share, EUR	**1.31**	0.88
Equity per share at end of period, EUR	**8.10**	6.81
Return on equity (ROE), % (annualized)	**22%**	17%
Return on capital employed (ROCE) before taxes, % (annualized)	**21%**	17%
Equity to assets ratio at end of period, %	**41%**	38%
Gearing at end of period, %	**-1%**	18%
Cash flow provided by operating activities, EUR million	**385**	418
Cash flow after investments, EUR million	**312**	-100
Gross capital expenditure (excl. business combinations and leased assets), EUR million	**-69**	-65
Additions to leased assets, EUR million	**-14**	-23
Business combinations, net of cash acquired and loans repaid, EUR million	**-15**	—
Additions to investments in associated companies	**—**	-453
Depreciation and amortization, EUR million	**-90**	-77
Amortization	**-37**	-24
Depreciation, property, plant and equipment (excl. leased assets)	**-35**	-35
Depreciation, leased assets	**-18**	-18
Number of outstanding shares at end of period	**149,473,533**	149,494,345
Average number of outstanding shares	**149,466,320**	149,501,014
Average number of diluted shares	**149,466,320**	149,501,014
Interest-bearing liabilities at end of period, EUR million	**476**	517
Net interest-bearing liabilities at end of period, EUR million	**-17**	184

Formulas for calculation of indicators

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

EBITA:
Operating profit + amortization

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

Earnings per share:

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

Earnings per share, diluted:

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

Equity per share:

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

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

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

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

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

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

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

Equity to assets ratio, %:

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

Gearing, %:

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

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

[1]*Measure of performance also calculated on a rolling 12-month basis.*

Quarterly information

EUR million	Q3/2021	Q2/2021	Q1/2021	Q4/2020	Q3/2020
Net sales	**935**	943	858	1,167	832
Comparable EBITA	**107**	95	80	146	91
% of net sales	**11.4%**	10.1%	9.4%	12.5%	10.9%
Operating profit	**95**	85	76	135	79
% of net sales	**10.1%**	9.0%	8.9%	11.6%	9.5%
Profit before taxes	**95**	83	75	133	75
% of net sales	**10.1%**	8.8%	8.7%	11.4%	9.0%
Profit for the period	**75**	64	57	100	57
% of net sales	**8.1%**	6.8%	6.7%	8.6%	6.9%
Earnings per share, EUR	**0.50**	0.43	0.38	0.67	0.38
Earnings per share, diluted, EUR	**0.50**	0.43	0.38	0.67	0.38
Amortization	**-12**	-13	-13	-11	-8
Depreciation, property, plant and equipment (excl. leased assets)	**-12**	-12	-12	-12	-12
Depreciation, leased assets	**-6**	-6	-6	-6	-6
Research and development expenses, net	**-16**	-21	-19	-22	-15
% of net sales	**-1.7%**	-2.2%	-2.2%	-1.9%	-1.9%
Items affecting comparability:					
in cost of goods sold	**-1**	—	—	-4	—
in selling, general and administrative expenses	**-3**	-1	—	—	-3
in other operating income and expenses, net	**—**	—	5	2	—
in share in profits and losses of associated companies, operative investments	**4**	4	3	3	—
Total items affecting comparability	**—**	2	8	—	-3
Gross capital expenditure (excl. business combinations and leased assets)	**-22**	-23	-24	-24	-21
Additions to leased assets	**-5**	-4	-6	-3	-4
Business combinations, net of cash acquired and loans repaid	**-16**	1	—	-48	—
Additions to investments in associated companies	**—**	—	—	-3	-453
Capital employed, end of period	**1,693**	1,619	1,557	1,639	1,541
Orders received	**1,107**	1,228	1,312	940	700
Order backlog, end of period	**4,199**	4,019	3,709	3,257	3,311

Valmet´s financial reporting in 2022

February 3, 2022 - Financial Statements Review 2021
April 27, 2022 - Interim Review for January–March 2022
July 27, 2022 - Half Year Financial Review for January–June 2022
October 26, 2022 - Interim Review for January–September 2022

Valmet Oyj
Keilasatama 5 / PO BOX 11
FI-02150 ESPOO, Finland
www.valmet.com/investors
ir@valmet.com