

Interim Review

January 1 – March 31, 2023



Valmet's Interim Review

January 1 – March 31, 2023

Orders received increased to EUR 1.55 billion and Comparable EBITA to EUR 133 million in the first quarter

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

Net debt to EBITDA ratio, Comparable gross profit, and Comparable selling, general and administrative expenses (Comparable SG&A expenses) are new alternative performance measures. They enable users of the financial information to prepare more meaningful analysis on Valmet's performance and are presented with comparatives from Q1/2023 onwards.

January–March 2023: Orders received, Net sales, Comparable EBITA and Comparable EBITA margin increased

- Orders received increased 17 percent to EUR 1,552 million (EUR 1,324 million).
 - Orders received increased in the Automation and Services segments and decreased in the Process Technologies segment.
 - Orders received increased in South America, North America and EMEA (Europe, Middle East and Africa), remained at the previous year's level in Asia-Pacific, and decreased in China.
- Net sales increased 38 percent to EUR 1,321 million (EUR 960 million).
 - Net sales increased in all three segments.
- Comparable earnings before interest, taxes and amortization (Comparable EBITA) increased 68 percent to EUR 133 million (EUR 79 million).
 - Comparable EBITA increased in the Automation and Services segments and decreased in the Process Technologies segment.
- Comparable EBITA margin was 10.1 percent (8.3%).
- Earnings per share were EUR 0.38 (EUR 0.30). Adjusted earnings per share were EUR 0.51 (EUR 0.33).
- Items affecting comparability amounted to EUR -2 million (EUR -5 million).
- Cash flow provided by operating activities was EUR 208 million (EUR 19 million).

Guidance for 2023

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

Short-term market outlook

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

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

President and CEO Pasi Laine: Strong quarter in order intake and profitability

“Valmet’s orders received increased to EUR 1.55 billion in the first quarter of 2023. This is a record-high quarterly order intake for us. Orders received increased in the Services and Automation segments and decreased in the Process Technologies segment. Orders received in Valmet’s stable business totaled EUR 3.2 billion during the last four quarters. Valmet has a strong order backlog amounting to EUR 4.6 billion at the end of the quarter.

The first quarter was good also in terms of net sales and Comparable EBITA, which both increased. Net sales increased in all segments. Comparable EBITA margin was 16.1% in Services, 16.3% in Automation and 4.7% in Process Technologies. Valmet’s Comparable EBITA increased to EUR 133 million and margin to 10.1%.”

Update on the integration of Flow Control into Valmet

The merger of Neles into Valmet was completed on April 1, 2022. The integration of Flow Control (former Neles) into Valmet is proceeding according to the plan. Most of the cost synergy actions regarding function costs, common locations and supply chain were implemented already during 2022. Sales synergies have developed well. Valmet expects to generate annual run rate synergies of approximately EUR 25 million, of which approximately 60 percent are expected to be achieved by the end of 2023 and approximately 90 percent by the end of 2024.

Russia's invasion of Ukraine and sanctions on Russia

Valmet's withdrawal from Russia is proceeding according to plan, and the liquidation of the two legal entities is expected to be completed by the end of the third quarter 2023. At the end of March 2023, Valmet’s number of personnel in Russia was 7 (approximately 30 at the end of 2022).

Key figures¹

EUR million	Q1/2023	Q1/2022	Change	2022
Orders received	1,552	1,324	17%	5,194
Order backlog ²	4,595	4,459	3%	4,403
Net sales	1,321	960	38%	5,074
Comparable EBITA	133	79	68%	533
% of net sales	10.1%	8.3%		10.5%
EBITA	131	74	76%	550
% of net sales	9.9%	7.7%		10.8%
Operating profit (EBIT)	97	63	54%	436
% of net sales	7.3%	6.5%		8.6%
Profit before taxes	91	62	47%	431
Profit for the period	71	45	57%	338
Earnings per share, EUR	0.38	0.30	25%	1.92
Adjusted earnings per share, EUR	0.51	0.33	56%	2.37
Equity per share, EUR ²	12.50	8.32	50%	13.54
Cash flow provided by operating activities	208	19	>100%	36
Cash flow after investments	175	-6		56
Comparable return on capital employed (Comparable ROCE) before taxes (LTM)	19%	24%		17%
Return on capital employed (ROCE) before taxes (LTM)	20%	24%		18%
Return on equity (ROE) (LTM)	20%	24%		18%
Net debt to EBITDA ratio ³	0.49	0.01		0.78
Gearing ²	15%	0%		20%
Equity to assets ratio ²	45%	40%		49%

¹ The calculation of key figures is presented on page 48.

² At end of period.

³ Net debt to EBITDA ratio is a new alternative performance measure. It enables users of the financial information to prepare more meaningful analysis on Valmet's performance and is presented with comparatives from Q1/2023 onwards.

LTM = Last twelve months

Segment key figures

Orders received, EUR million	Q1/2023	Q1/2022	Change	2022
Services	577	451	28%	1,756
Automation	391	147	>100%	1,081
<i>Flow Control</i>	217	–		576
<i>Automation Systems</i>	175	147	19%	505
Process Technologies	584	727	-20%	2,356
<i>Pulp and Energy</i>	212	327	-35%	1,072
<i>Paper</i>	372	400	-7%	1,285
Total	1,552	1,324	17%	5,194

Net sales, EUR million	Q1/2023	Q1/2022	Change	2022
Services	389	317	23%	1,606
Automation	304	88	>100%	1,040
<i>Flow Control</i>	188	–		551
<i>Automation Systems</i>	116	88	32%	489
Process Technologies	628	555	13%	2,428
<i>Pulp and Energy</i>	286	276	4%	1,081
<i>Paper</i>	342	279	22%	1,347
Total	1,321	960	38%	5,074

Comparable EBITA, EUR million	Q1/2023	Q1/2022	Change	2022
Services	63	30	>100%	237
Automation	50	11	>100%	190
Process Technologies	30	41	-27%	145
Other	-9	-3	>100%	-39
Total	133	79	68%	533

Comparable EBITA, % of net sales	Q1/2023	Q1/2022	2022
Services	16.1%	9.6%	14.8%
Automation	16.3%	12.1%	18.3%
Process Technologies	4.7%	7.3%	6.0%
Total	10.1%	8.3%	10.5%

EBITA, EUR million	Q1/2023	Q1/2022	Change	2022
Services	62	30	>100%	228
Automation	44	10	>100%	170
Process Technologies	33	38	-14%	134
Other	-9	-4	>100%	18
Total	131	74	76%	550

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/q1-2023> on Wednesday, April 26, 2023, at 2:00 p.m. Finnish time (EEST). President and CEO Pasi Laine and CFO Katri Hokkanen will be presenting the results.

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

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

<http://palvelu.flik.fi/teleconference/?id=1009888>

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

All questions should be presented in English.

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

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Orders received increased 17 percent

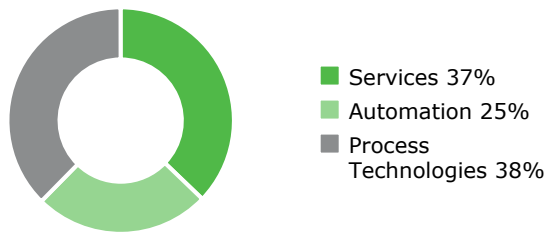
Orders received, EUR million	Q1/2023	Q1/2022	Change	2022
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Automation	391	147	>100%	1,081
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<i>Paper</i>	372	400	-7%	1,285
Total	1,552	1,324	17%	5,194

Orders received, comparable foreign exchange rates, EUR million¹	Q1/2023	Q1/2022	Change	2022
Services	578	451	28%	1,756
Automation	388	147	>100%	1,081
<i>Flow Control</i>	214	–		576
<i>Automation Systems</i>	174	147	19%	505
Process Technologies	588	727	-19%	2,356
<i>Pulp and Energy</i>	215	327	-34%	1,072
<i>Paper</i>	373	400	-7%	1,285
Total	1,554	1,324	17%	5,194

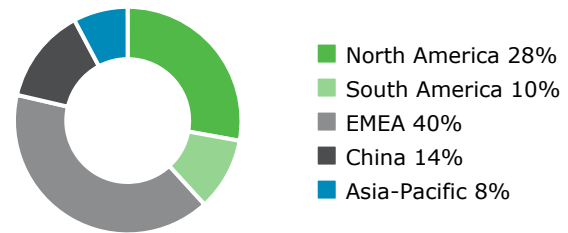
¹ Indicative only. January–March 2023 orders received in euro calculated by applying January–March 2022 average exchange rates to the functional currency orders received values reported by entities.

Orders received, EUR million	Q1/2023	Q1/2022	Change	2022
North America	432	249	74%	1,260
South America	161	75	>100%	353
EMEA	627	570	10%	2,098
China	211	315	-33%	711
Asia-Pacific	120	116	4%	771
Total	1,552	1,324	17%	5,194

Orders received by segment, Q1/2023



Orders received by area, Q1/2023



Orders received increased 17 percent to EUR 1,552 million (EUR 1,324 million) in January–March. The increase was mainly due to Neles, which has been consolidated into Valmet as of April 1, 2022. Orders received increased in the Automation and Services segments and decreased in the Process Technologies segment. Stable business (Services and Automation segments) accounted for 62 percent (45%) of Valmet’s orders received.

Orders received increased in South America, North America and EMEA, remained at the previous year's level in Asia-Pacific, and decreased in China. Measured by orders received, the top three countries were the USA, China and France, which together accounted for 45 percent of total orders received.

Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2022 decreased orders received by approximately EUR 1 million in January–March.

During January–March, Valmet received among others an order for a coated board machine to the United States, typically valued between EUR 140 and 180 million, an order for key technologies and automation systems for a testliner line in China, and a tissue line order with an extensive package of stock preparation, automation and service solutions to Sweden.

Order backlog amounted to EUR 4.59 billion

Order backlog, EUR million	As at March 31, 2023	As at March 31, 2022	Change	As at December 31, 2022
Total	4,595	4,459	3%	4,403

Order backlog amounted to EUR 4,595 million at the end of the reporting period, which is at the same level as at the end of December 2022 and at the end of March 2022. Approximately 25 percent of the order backlog relates to the Services segment, 15 percent to the Automation segment, and 60 percent to the Process Technologies segment (at the end of March 2022, 20%, 5% and 75% respectively). Approximately 65 percent of the order backlog is currently expected to be realized as net sales during 2023 (at the end of March 2022, approximately 60% was expected to be realized as net sales during 2022).

Net sales increased 38 percent

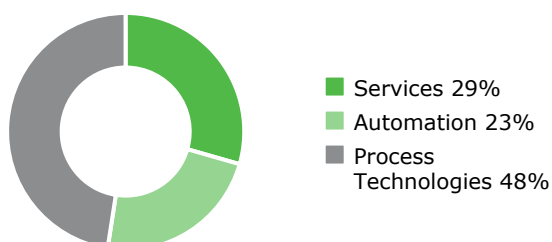
Net sales, EUR million	Q1/2023	Q1/2022	Change	2022
Services	389	317	23%	1,606
Automation	304	88	>100%	1,040
Flow Control	188	—		551
Automation Systems	116	88	32%	489
Process Technologies	628	555	13%	2,428
Pulp and Energy	286	276	4%	1,081
Paper	342	279	22%	1,347
Total	1,321	960	38%	5,074

Net sales, comparable foreign exchange rates, EUR million ¹	Q1/2023	Q1/2022	Change	2022
Services	389	317	23%	1,606
Automation	301	88	>100%	1,040
Flow Control	185	—		551
Automation Systems	116	88	32%	489
Process Technologies	636	555	15%	2,428
Pulp and Energy	291	276	5%	1,081
Paper	345	279	24%	1,347
Total	1,326	960	38%	5,074

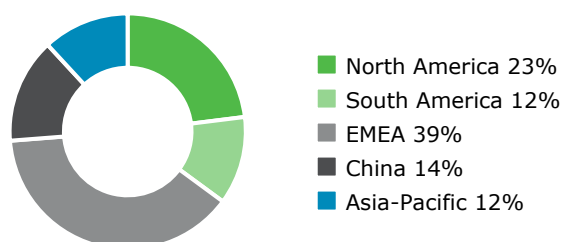
¹ Indicative only. January–March 2023 net sales in euro calculated by applying January–March 2022 average exchange rates to the functional currency net sales values reported by entities.

Net sales, EUR million	Q1/2023	Q1/2022	Change	2022
North America	304	169	80%	1,058
South America	160	127	25%	718
EMEA	511	379	35%	1,876
China	190	193	-1%	829
Asia-Pacific	157	93	69%	593
Total	1,321	960	38%	5,074

Net sales by segment, Q1/2023



Net sales by area, Q1/2023



Net sales increased 38 percent to EUR 1,321 million (EUR 960 million) in January–March, partly due to consolidation of Neles into Valmet as of April 1, 2022. Net sales increased in all three segments. Stable business (Services and Automation segments) accounted for 52 percent (42%) of Valmet’s net sales.

Net sales increased in North America, Asia-Pacific, EMEA and South America, and remained at the previous year's level in China. Measured by net sales, the top three countries were the USA, China and Brazil, which together accounted for 42 percent of total net sales.

Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2022 decreased net sales by approximately EUR 5 million in January–March.

Comparable EBITA increased 68 percent and Comparable EBITA margin increased to 10.1 percent

Comparable EBITA, EUR million	Q1/2023	Q1/2022	Change	2022
Services	63	30	>100%	237
Automation	50	11	>100%	190
Process Technologies	30	41	-27%	145
Other	-9	-3	>100%	-39
Total	133	79	68%	533

Comparable EBITA, % of net sales	Q1/2023	Q1/2022	2022
Services	16.1%	9.6%	14.8%
Automation	16.3%	12.1%	18.3%
Process Technologies	4.7%	7.3%	6.0%
Total	10.1%	8.3%	10.5%

Comparable earnings before interest, taxes and amortization (Comparable EBITA) increased 68 percent to EUR 133 million in January–March, corresponding to 10.1 percent of net sales (EUR 79 million and 8.3%). Items affecting comparability amounted to EUR -2 million (EUR -5 million).

Comparable EBITA of the Services segment more than doubled to EUR 63 million in January–March, corresponding to 16.1 percent of the segment's net sales (EUR 30 million and 9.6%). Comparable EBITA increased due to higher net sales.

Comparable EBITA of the Automation segment increased to EUR 50 million in January–March, corresponding to 16.3 percent of the segment's net sales (EUR 11 million and 12.1%).

Comparable EBITA of the Process Technologies segment decreased to EUR 30 million in January–March, corresponding to 4.7 percent of the segment's net sales (EUR 41 million and 7.3%). Comparable EBITA decreased as margins in some Pulp and Energy projects were impacted by cost inflation.

Operating profit

Operating profit (EBIT) in January–March was EUR 97 million, i.e., 7.3 percent of net sales (EUR 63 million and 6.5%).

Net financial income and expenses

Net financial income and expenses in January–March were EUR -5 million (EUR -1 million).

Profit before taxes and earnings per share

Profit before taxes for January–March was EUR 91 million (EUR 62 million). The profit attributable to owners of the parent in January–March was EUR 70 million (EUR 45 million), corresponding to earnings per share (EPS) of EUR 0.38 (EUR 0.30). Adjusted EPS was EUR 0.51 (EUR 0.33).

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

For the twelve months preceding March 31, 2023, comparable return on capital employed (comparable ROCE) before taxes was 19 percent (24%) and return on capital employed (ROCE) before taxes 20 percent (24%). Return on equity (ROE) for the corresponding period was 20 percent (24%).

Segments and business lines

Services: Orders received, net sales and comparable EBITA increased

Services segment	Q1/2023	Q1/2022	Change	2022
Orders received (EUR million)	577	451	28%	1,756
Net sales (EUR million)	389	317	23%	1,606
Comparable EBITA (EUR million)	63	30	>100%	237
Comparable EBITA, %	16.1%	9.6%		14.8%
Personnel (end of period)	6,373	6,174	3%	6,307

In January–March, orders received by the Services segment increased 28 percent to EUR 577 million (EUR 451 million). Services accounted for 37 percent (34%) of Valmet's orders received. Orders received increased in all areas except for China, where orders received remained at the previous year's level. Orders received increased in all business units. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2022 decreased orders received by approximately EUR 1 million.

Net sales for the Services segment amounted to EUR 389 million (EUR 317 million) in January–March, corresponding to 29 percent (33%) of Valmet's net sales. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2022 did not have a material impact on net sales.

Comparable EBITA of the Services segment more than doubled to EUR 63 million in January–March, corresponding to 16.1 percent of the segment's net sales (EUR 30 million and 9.6%). Comparable EBITA increased due to higher net sales.

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

Automation: Orders received, net sales and comparable EBITA increased

Automation segment	Q1/2023	Q1/2022	Change	2022
Orders received (EUR million)	391	147	>100%	1,081
Net sales (EUR million)	304	88	>100%	1,040
Comparable EBITA (EUR million)	50	11	>100%	190
Comparable EBITA, %	16.3%	12.1%		18.3%
Personnel (end of period)	4,956	1,999	>100%	4,842

In January–March, orders received by the Automation segment more than doubled to EUR 391 million (EUR 147 million) due to the consolidation of Neles into Valmet as of April 1, 2022. Automation accounted for 25 percent (11%) of Valmet's orders received. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2022 increased orders received by approximately EUR 3 million.

Net sales for the Automation segment amounted to EUR 304 million (EUR 88 million) in January–March, corresponding to 23 percent (9%) of Valmet's net sales. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2022 increased net sales by approximately EUR 3 million.

Comparable EBITA of the Automation segment increased to EUR 50 million in January–March, corresponding to 16.3 percent of the segment's net sales (EUR 11 million and 12.1%).

Flow Control business line	Q1/2023	Q1/2022	Change	2022
Orders received (EUR million)	217	—		576
Net sales (EUR million)	188	—		551
Personnel (end of period)	2,778	—		2,792

In January–March, orders received by the Flow Control business line amounted to EUR 217 million. Flow Control accounted for 14 percent of Valmet's orders received.

Net sales for the Flow Control business line amounted to EUR 188 million in January–March, corresponding to 14 percent of Valmet's net sales.

Automation Systems business line	Q1/2023	Q1/2022	Change	2022
Orders received (EUR million)	175	147	19%	505
Net sales (EUR million)	116	88	32%	489
Personnel (end of period)	2,178	1,999	9%	2,050

In January–March, orders received by the Automation Systems business line increased 19 percent to EUR 175 million (EUR 147 million) and accounted for 11 percent (11%) of Valmet's orders received. Orders received increased in North America, Asia-Pacific and EMEA, remained at the previous year's level in South America and decreased in China. Orders received increased in both Pulp and Paper, and Energy and Process.

Net sales for the Automation Systems business line amounted to EUR 116 million (EUR 88 million) in January–March, corresponding to 9 percent (9%) of Valmet’s net sales.

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

Process Technologies: Net sales increased, but orders received and comparable EBITA decreased

Process Technologies segment	Q1/2023	Q1/2022	Change	2022
Orders received (EUR million)	584	727	-20%	2,356
Net sales (EUR million)	628	555	13%	2,428
Comparable EBITA (EUR million)	30	41	-27%	145
Comparable EBITA, %	4.7%	7.3%		6.0%
Personnel (end of period)	5,664	5,579	2%	5,647

In January–March, orders received by the Process Technologies segment decreased 20 percent to EUR 584 million (EUR 727 million). Process Technologies accounted for 38 percent (55%) of Valmet's orders received. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2022 decreased orders received by approximately EUR 4 million.

Net sales for the Process Technologies segment amounted to EUR 628 million (EUR 555 million) in January–March, corresponding to 48 percent (58%) of Valmet’s net sales. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2022 decreased net sales by approximately EUR 8 million.

Comparable EBITA of the Process Technologies segment decreased to EUR 30 million in January–March, corresponding to 4.7 percent of the segment's net sales (EUR 41 million and 7.3%). Comparable EBITA decreased as margins in some Pulp and Energy projects were impacted by cost inflation.

Pulp and Energy business line	Q1/2023	Q1/2022	Change	2022
Orders received (EUR million)	212	327	-35%	1,072
Net sales (EUR million)	286	276	4%	1,081
Personnel (end of period)	1,897	1,921	-1%	1,892

In January–March, orders received by the Pulp and Energy business line decreased 35 percent to EUR 212 million (EUR 327 million). Pulp and Energy accounted for 14 percent (25%) of Valmet's orders received. Orders received increased in North America and Asia-Pacific, and decreased in China, South America and EMEA. Orders received increased in Pulp and decreased in Energy.

Net sales for the Pulp and Energy business line amounted to EUR 286 million (EUR 276 million) in January–March, corresponding to 22 percent (29%) of Valmet’s net sales.

Cost inflation impacted Pulp and Energy’s business environment.

Paper business line	Q1/2023	Q1/2022	Change	2022
Orders received (EUR million)	372	400	-7%	1,285
Net sales (EUR million)	342	279	22%	1,347
Personnel (end of period)	3,767	3,658	3%	3,755

In January–March, orders received by the Paper business line decreased 7 percent to EUR 372 million (EUR 400 million). Paper business line accounted for 24 percent (30%) of Valmet's orders received. Orders received increased in South America, North America and EMEA, and decreased in Asia-Pacific and China. Orders received increased in Small and Medium size Machines, and in Board and Paper, and decreased in Tissue, and in Stock Preparation and Recycled Fiber.

Net sales for the Paper business line amounted to EUR 342 million (EUR 279 million) in January–March, corresponding to 26 percent (29%) of Valmet's net sales.

The fire at Valmet's Rautpohja factory site in Jyväskylä, Finland, in 2022 impacted Paper business line's operations. The Paper business line has managed the challenges caused by the fire well.

Cash flow and financing

Cash flow provided by operating activities amounted to EUR 208 million (EUR 19 million) in January–March. Net working capital totaled EUR -413 million (EUR -590 million) at the end of the reporting period. Net working capital includes dividend liability of EUR 239 million (EUR 0 million). Change in net working capital in the statement of cash flows was EUR 88 million (EUR -38 million) in January–March. Payment schedules of large long-term projects have a significant impact on net working capital development.

Cash flow after investments totaled EUR 175 million (EUR -6 million) in January–March.

At the end of March, net debt to EBITDA ratio was 0.49 (0.01) and gearing 15 percent (0%). Equity to assets ratio was 45 percent (40%). Interest-bearing liabilities amounted to EUR 792 million (EUR 445 million), and net interest-bearing liabilities totaled EUR 345 million (EUR 3 million) at the end of the reporting period. Interest-bearing liabilities increased mainly due to consolidation of Neles.

The average maturity of Valmet's non-current debt was 3.1 years, and average interest rate was 2.6 percent at the end of March. 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 429 million (EUR 300 million) and interest-bearing current financial assets totaling EUR 19 million (EUR 142 million). Valmet's liquidity was secured with a committed revolving credit facility of EUR 300 million, which was undrawn at the end of the reporting period. The facility will mature in October 2025 with 1-year extension option dependent on the approval of the banks concerned. Liquidity was additionally secured by an uncommitted commercial paper program worth of EUR 300 million, of which EUR 111 million was outstanding at the end of the reporting period.

Capital expenditure

Gross capital expenditure (excluding business combinations and right-of-use assets) totaled EUR 25 million (EUR 24 million) in January–March, of which maintenance investments were EUR 10 million (EUR 7 million).

Acquisitions and disposals

Acquisitions

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

Disposals

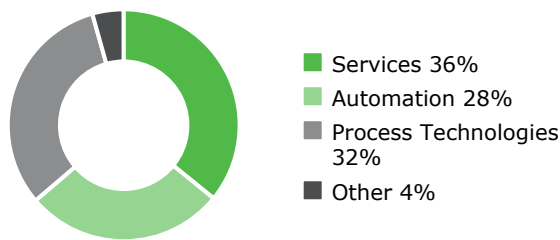
Valmet made no disposals during January–March 2023.

Personnel

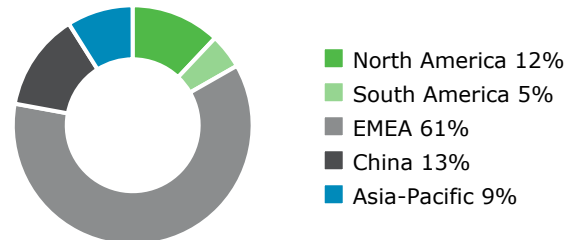
Personnel	As at March 31, 2023	As at March 31, 2022	Change	As at December 31, 2022
Services	6,373	6,174	3%	6,307
Automation	4,956	1,999	>100%	4,842
<i>Flow Control</i>	2,778	—		2,792
<i>Automation Systems</i>	2,178	1,999	9%	2,050
Process Technologies	5,664	5,579	2%	5,647
<i>Pulp and Energy</i>	1,897	1,921	-1%	1,892
<i>Paper</i>	3,767	3,658	3%	3,755
Other	776	665	17%	752
Total	17,769	14,417	23%	17,548

Personnel	As at March 31, 2023	As at March 31, 2022	Change	As at December 31, 2022
North America	2,141	1,530	40%	2,040
South America	835	621	34%	833
EMEA	10,864	9,403	16%	10,787
China	2,341	1,922	22%	2,323
Asia-Pacific	1,588	941	69%	1,565
Total	17,769	14,417	23%	17,548

Personnel by segment as at March 31, 2023



Personnel by area as at March 31, 2023



During January–March, Valmet employed an average of 17,681 people (14,313). The number of personnel at the end of March was 17,769 (14,417). Personnel expenses totaled EUR 312 million (EUR 255 million) in January–March, of which wages, salaries and remuneration amounted to EUR 245 million (EUR 200 million).

Changes in Valmet’s Executive Team

On February 14, 2023, Valmet announced that Vesa Simola, Area President, EMEA at Valmet, has decided to continue his career outside the company. Vesa Simola will continue to be an active member of Valmet's Executive Team and lead the company's EMEA Area until his successor is chosen.

Russia's invasion of Ukraine and sanctions on Russia

Valmet's withdrawal from Russia is proceeding according to plan, and the liquidation of the two legal entities is expected to be completed by the end of the third quarter 2023. At the end of March 2023, Valmet's number of personnel in Russia was 7 (approximately 30 at the end of 2022).

Strategy and targets

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

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

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

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

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

Actions to reach Comparable EBITA target of 12–14%

Valmet continues to focus on improving profitability through implementing its four Must-Win initiatives: 'Customer excellence', 'Leader in technology and innovation', 'Excellence in processes' and 'Winning team'. Valmet targets to increase the comparable EBITA margin in all three segments.

Customer excellence

Valmet aims to strengthen its customer base by implementing effective sales management practices and cultivating close relationships with customers. Valmet is targeting to increase its market share in Services and Automation by growing over two times the market. In Process Technologies, Valmet aims to maintain and improve its market share.

Leader in technology and innovation

Valmet is known for its world-class technology and is always looking to bring advanced and innovative solutions to the market. Furthermore, Valmet is placing a strong emphasis on product cost competitiveness.

Excellence in processes

Valmet is continuously developing and improving its processes. Valmet aims to ensure excellent project management and project execution. Supply chain management and efficient procurement are key for Valmet. Valmet is also streamlining its processes and renewing the ERP system.

Winning team

Valmet has a strong home base in the Nordic region but has also been increasing procurement, production, and engineering resources in cost-competitive countries. The company is investing heavily in its people, particularly through the global training portfolio, which supports the execution of the must-wins.

Progress in sustainability

In the first quarter of 2023, Valmet continued to systematically implement its Sustainability360° Agenda. As part of its annual reporting for 2022, Valmet reported on the progress of its sustainability performance in 2022.

Environment

During the first quarter of 2023, Valmet saw steady progress in the overall implementation of its Climate Program. Valmet continued to actively foster the participation in its comprehensive climate program related e-learnings and the topic was also chosen as the main theme for Valmet's global customer event in March 2023. On March 25, Valmet joined in promoting the WWF Earth Hour to raise awareness on climate change.

Implementation of Beyond Circularity, the Valmet-lead R&D program and ecosystem to accelerate green transition, continued in 2023. Since its establishment in the early 2022, the program has progressed at full speed with six out of the seven program streams and a multitude of internal and ecosystem projects ongoing.

Social

During the first quarter of 2023, Valmet ran the annual salary planning process with new color-coded recommendations to guide managers to allocate increases for high performers, especially those in the low end of the pay range. Valmet also organized local diversity and inclusion activities including participating in 'Introduce a girl to engineering' in Sweden and activities to recognize 'Women's month' in South America. Global Forward for Managers trainings continued with the target to have all Valmet line managers complete the training by the end of the year.

At the end of March 2023, the lost time incident frequency rate (LTIF) for Valmet's own employees was 1.5 (1.8). As part of its efforts to improve safety, Valmet continued with working at height injury prevention actions and launched e-learnings for all minimum safety standards.

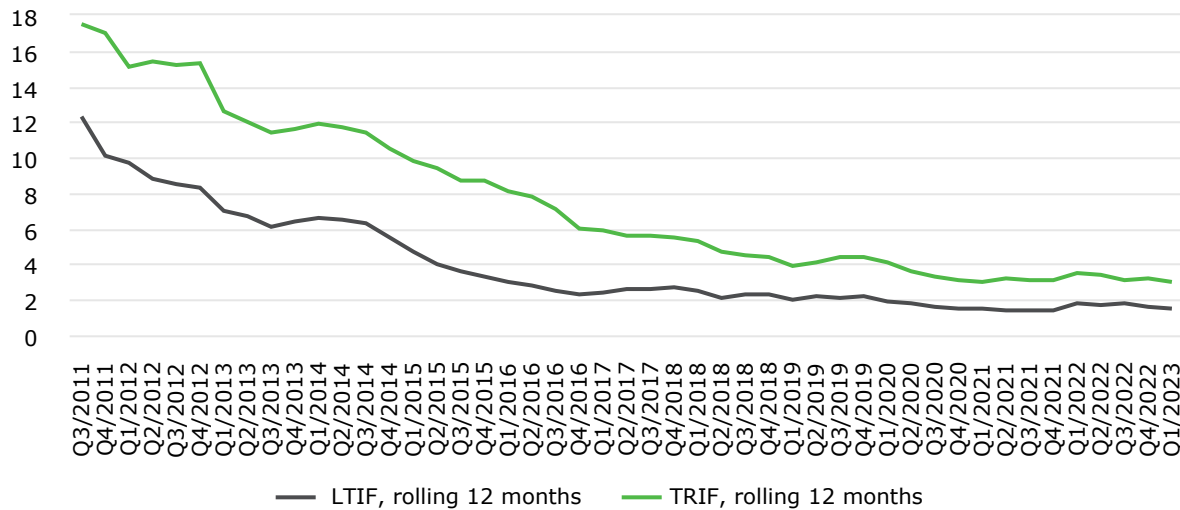
Following the expansion of Valmet's global social responsibility program in the end of 2022, the implementation of local projects continued according to plan in early 2023.

Governance

During the first quarter of 2023, five supplier sustainability audits were conducted in China, the United States and India. The target for the entire year is 40 audits.

In February 2023, Valmet was included in the S&P Global Sustainability Yearbook 2023 as a recognition for its sustainability performance.

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



¹ LTIF reflects the number of injuries resulting in an absence of at least one work day per million hours worked.

² LTIF + medical treatment and restricted work cases

Lawsuits and claims

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

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

Corporate Governance Statement and Remuneration Report

Valmet has published a separate Corporate Governance Statement and a Remuneration Report for 2022, 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 March 31, 2023	As at March 31, 2022
Share capital, EUR	140,000,000	100,000,000
Number of shares	184,529,605	149,864,619
Treasury shares	379,285	342,976
Shares outstanding	184,150,320	149,521,643
Market capitalization, EUR million	5,506	4,228
Number of shareholders	90,235	62,041

Shareholder structure as at March 31, 2023



- Nominee registered and non-Finnish holders 45.7%
- Finnish private investors 16.0%
- Finnish institutions, companies and foundations 38.4%

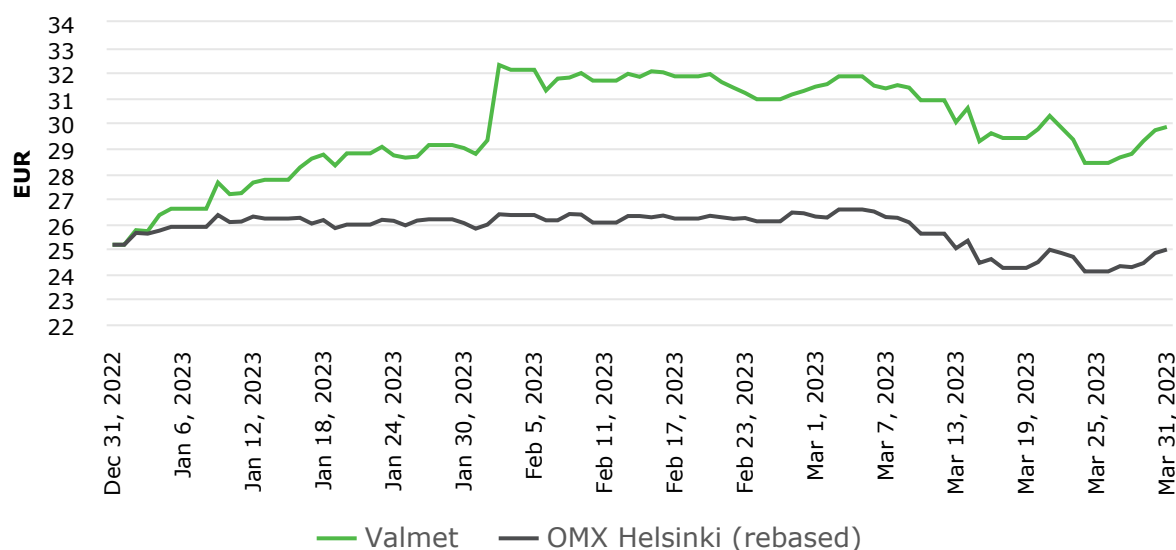
Trading of shares

Trading of Valmet shares on Nasdaq Helsinki	January 1 – March 31, 2023	January 1 - March 31, 2022
Number of shares traded	24,591,317	34,344,515
Total value, EUR million	734	1,108
High, EUR	32.99	38.41
Low, EUR	25.32	27.81
Volume-weighted average price, EUR	29.85	32.25
Closing price on the final day of trading, EUR	29.84	28.21

The closing price of Valmet's share on the final day of trading for the reporting period, March 31, 2023, was EUR 29.84, i.e., 19 percent higher than the closing price on the last day of trading in 2022 (EUR 25.16 on December 30, 2022).

In addition to Nasdaq Helsinki Ltd, Valmet's shares are also traded on other marketplaces, such as CBOE DXE, Turquoise and BATS. A total of approximately 12 million Valmet shares were traded on these three alternative marketplaces in January–March (Source: www.valmet.com/investors/valmet-share/trading-volumes/).

Development of Valmet's share price, December 31, 2022 – March 31, 2023



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 22, 2023, authorized Valmet's Board of Directors to decide on the repurchase of a maximum number of 9,200,000 of the Company's own shares in one or several tranches. This corresponds to approximately 5.0 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 official list of Nasdaq Helsinki Ltd on the date of the repurchase or at a price otherwise formed on the market.

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

Valmet Oyj's Annual General Meeting 2023 also authorized Valmet's Board of Directors to decide on the issuance of shares as well as the issuance of special rights entitling to shares in one or several tranches. The issuance of shares may be carried out by offering new shares or by transferring treasury shares held by Valmet 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 Companies Act. Based on this authorization, a maximum number of 18,500,000 shares may be issued, which corresponds to approximately 10.0 percent of all the shares in

Valmet. 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, Section 1 of the Finnish Companies Act. The Board of Directors may use this authorization, for example, for reasons of developing the Company's capital structure, in financing or carrying out acquisitions, investments or other business transactions, or for the shares to be used in incentive schemes, however so that the Board of Directors may issue a maximum of 500,000 shares to be used in incentive schemes, which corresponds to approximately 0.3 percent of all the shares in the Company.

The authorizations shall remain in force until the close of the next Annual General Meeting, and they cancel the authorizations granted by the Annual General Meeting of March 22, 2022.

As at March 31, 2023, Valmet's Board of Directors had not used any authorizations given by the Annual General Meeting 2023.

Share-based incentive plans

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

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

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

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

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

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

	Long-term incentive plans 2021–2023		Long-term incentive plans 2022–2024	
Plan name	Performance Share Plan and Deferred Share Plan	Performance Share Plan	Performance Share Plan and Deferred Share Plan	Performance Share Plan
Performance period	2021	2021–2023	2022	2022–2024
Incentive based on	Comparable EBITA as a percentage of net sales, and orders received growth in the stable business	Predefined strategic target	Comparable EBITA as a percentage of net sales, and orders received growth in the stable business	ESG Index, targets linked to implementing Valmet's Climate Program and Sustainability Agenda
Reward payment	In spring 2022	In spring 2024	In spring 2023	In spring 2025
Participants				
Performance Share Plan	13	11	14	13
Deferred Share Plan	110		130	
Total gross number of shares earned	Approximately 360,000 shares	Approximately 46,000 shares	Approximately 185,000 shares	Approximately 33,000 shares

	Long-term incentive plans 2023–2025	
Plan name	Performance Share Plan and Deferred Share Plan	Performance Share Plan
Performance period	2023	2023–2025
Incentive based on	Comparable EBITA as a percentage of net sales, and orders received growth in the stable business	Development of a valuation multiple of Valmet's share in comparison to peer group
Reward payment	In spring 2024	In spring 2026
Participants		
Performance Share Plan	14	14
Deferred Share Plan	130	
Total gross number of shares earned	As at March 31, 2023, a total of approximately 371,000 shares were allotted to participants	As at March 31, 2023, a total of approximately 53,000 shares were allotted to participants

In its meeting on December 20, 2022, the Board of Directors of Valmet decided to use the authorization granted by the Annual General Meeting 2022 to acquire the Company's own shares. The Board decided to initiate a fixed-term share buy-back program to acquire Valmet's own shares. The shares were acquired to meet part of the obligations arising from Valmet's share-based long-term incentive plans and the restricted pool incentive. The share acquisitions began on February 6, 2023, and ended on February 16, 2023. The number of shares acquired totaled 125,000.

Based on the authorization granted to the Board of Directors by the Annual General Meeting 2022, Valmet's Board of Directors decided in December 2022 on a directed share issue related to the reward payment of Valmet's share-based long-term incentive plans for the performance period 2022. In the share issue on March 15, 2023, a total of 91,646 Valmet's treasury shares were conveyed without consideration to the participants of the plans, in accordance with the terms and conditions of the plans.

At the end of the reporting period, the Company held 379,285 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 2023 was held in Helsinki on March 22, 2023. The Annual General Meeting adopted the Financial Statements for 2022 and discharged the members of the Board of Directors and the President and CEO from liability for the financial year 2022. The Annual General Meeting adopted the remuneration report for governing bodies. The decision is advisory. The Annual General Meeting approved the Board of Directors' proposals concerning authorizing the Board of Directors to decide on repurchasing the Company's own shares and to decide on the issuance of shares and the issuance of special rights entitling to shares.

The Annual General Meeting decided to pay dividends of EUR 1.30 per share for the financial period ended on December 31, 2022.

The Annual General Meeting confirmed the number of Board members as eight and reappointed Mikael Mäkinen as Chairman of Valmet Oyj's Board and Jaakko Eskola as Vice-Chairman. Aaro Cantell, Anu Hämäläinen, Pekka Kemppainen, Per Lindberg, Monika Maurer and Eriikka Söderström will continue as members of the Board. The term of office of the members of the Board of Directors expires at the close of the Annual General Meeting 2024.

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

Valmet published a stock exchange release on March 22, 2023, concerning the resolutions of the Annual General Meeting and the organizing meeting of the Board of Directors. The stock exchange release and meeting materials can be viewed on Valmet's website at www.valmet.com/investors/governance/annual-general-meeting.

Risks and business uncertainties

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

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

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

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

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

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

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

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

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

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.

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

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

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

Management of project business risks important

An important part of Valmet's business consists of project business. Pulp business projects in particular can be large, thus project-specific risk management is crucial. Key risks related to

projects are project cost estimation, scheduling, project risk management, quality and performance risks, and materials management risks. Risk analysis shall, as a minimum, take place for all significant project quotations. The work concerning threat and opportunity assessment continues during the execution phase of the project. Risk management is based on careful planning and continuous, systematic monitoring and evaluation. Project risks are managed by improving and continuously developing project management processes and the related systems.

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 3.1 years. Loan facilities include customary covenants, and Valmet is in clear compliance with the covenants at the balance sheet date.

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

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

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

As at March 31, 2023, Valmet had EUR 1,611 million (EUR 739 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.

Should the crisis in the banking sector escalate, Valmet and its customers may be adversely impacted. Valmet has a strong balance sheet and liquidity. In order to diversify and mitigate the financial credit risk, funds are held with several financially-sound banks. Valmet is carefully evaluating counterparty risk and selecting only counterparties with high creditworthiness. Valmet's project business is typically cash positive, as the customers pay us advance and progress payments. Around half of Valmet's business consists of Services and Automation, where single orders are small. Furthermore, Valmet has hundreds of customers around the globe, which gives us natural hedge. Many of our customers are in strong financial shape.

COVID-19 and potential other pandemics

Epidemic outbreaks and potential other pandemics remain a risk to Valmet's operations also after COVID-19. Pandemics might have impact on customers' investment activity, 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.

Russia's invasion of Ukraine

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

Events after the reporting period

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

Guidance for 2023

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

Market outlook

General economic outlook according to IMF

World economic outlook is uncertain again amid financial sector turmoil, high inflation, ongoing effects of Russia's invasion of Ukraine, and three years of COVID. IMF's baseline forecast is for growth to fall from 3.4 percent in 2022 to 2.8 percent in 2023, before settling at 3.0 percent in 2024. Advanced economies are expected to see an especially pronounced growth slowdown, from 2.7 percent in 2022 to 1.3 percent in 2023. Inflation's return to target is unlikely before 2025. (IMF World Economic Outlook, April 2023)

Short-term market outlook

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

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

In Espoo on April 26, 2023

Valmet's Board of Directors

Consolidated statement of income

EUR million	Q1/2023	Q1/2022
Net sales	1,321	960
Cost of goods sold	-995	-743
Gross profit	326	217
Selling, general and administrative expenses	-233	-162
Other operating income and expenses, net	4	4
Share in profits and losses of associated companies, operative investments	-1	4
Operating profit	97	63
Financial income and expenses, net	-5	-1
Share in profits and losses of associated companies, financial investments	—	—
Profit before taxes	91	62
Income taxes	-21	-17
Profit for the period	71	45
Attributable to:		
Owners of the parent	70	45
Non-controlling interests	1	—
Profit for the period	71	45
Earnings per share attributable to owners of the parent:		
Earnings per share, EUR	0.38	0.30
Diluted earnings per share, EUR	0.38	0.30

Consolidated statement of comprehensive income

EUR million	Q1/2023	Q1/2022
Profit for the period	71	45
Items that may be reclassified to profit or loss:		
Cash flow hedges	-3	5
Currency translation on subsidiary net investments	-12	14
Share of other comprehensive income of associated companies accounted for using equity method	1	2
Income tax relating to items that may be reclassified	1	-1
Total items that may be reclassified to profit or loss	-13	20
Items that will not be reclassified to profit or loss:		
Remeasurement of defined benefit plans	-8	49
Share of other comprehensive income of associated companies accounted for using equity method	—	1
Income tax relating to items that will not be reclassified	2	-11
Total items that will not be reclassified to profit or loss	-6	38
Other comprehensive income for the period	-20	58
Total comprehensive income for the period	51	103
Attributable to:		
Owners of the parent	50	103
Non-controlling interests	1	—
Total comprehensive income for the period	51	103

Consolidated statement of financial position

Assets

EUR million	As at March 31, 2023	As at March 31, 2022	As at December 31, 2022
Non-current assets			
Intangible assets			
Goodwill	1,611	739	1,611
Other intangible assets	1,001	280	1,030
Total intangible assets	2,612	1,019	2,641
Property, plant and equipment			
Land and water areas	41	26	41
Buildings and structures	156	127	152
Machinery and equipment	221	185	217
Right-of-use assets	108	62	105
Assets under construction	79	75	85
Total property, plant and equipment	605	475	600
Other non-current assets			
Investments in associated companies	16	367	15
Non-current financial assets	20	23	22
Deferred tax assets	77	64	60
Non-current income tax receivables	34	28	33
Other non-current assets	14	9	14
Total other non-current assets	160	491	143
Total non-current assets	3,377	1,986	3,384
Current assets			
Inventories			
Materials and supplies	259	107	240
Work in progress	475	497	424
Finished products	277	150	271
Total inventories	1,011	755	934
Receivables and other current assets			
Trade receivables	778	585	834
Amounts due from customers under revenue contracts	516	351	485
Other current financial assets	58	193	89
Income tax receivables	44	47	45
Other receivables	236	150	223
Cash and cash equivalents	429	300	277
Total receivables and other current assets	2,061	1,626	1,953
Total current assets	3,072	2,381	2,887
Total assets	6,449	4,366	6,271

Consolidated statement of financial position

Equity and liabilities

EUR million	As at March 31, 2023	As at March 31, 2022	As at December 31, 2022
Equity			
Share capital	140	100	140
Reserve for invested unrestricted equity	1,372	432	1,369
Cumulative translation adjustments	-32	-2	-20
Hedge and other reserves	6	17	8
Retained earnings	816	698	997
Equity attributable to owners of the parent	2,302	1,245	2,494
Non-controlling interests	7	6	5
Total equity	2,308	1,251	2,499
Liabilities			
Non-current liabilities			
Non-current debt	519	159	555
Non-current lease liabilities	66	35	63
Employee benefit liabilities	136	138	132
Non-current provisions	38	32	38
Other non-current liabilities	6	5	8
Deferred tax liabilities	241	78	238
Total non-current liabilities	1,005	447	1,034
Current liabilities			
Current debt	171	230	155
Current lease liabilities	37	21	35
Trade payables	516	371	442
Current provisions	178	191	181
Amounts due to customers under revenue contracts	1,297	1,224	1,205
Other current financial liabilities	52	29	50
Income tax liabilities	85	88	79
Other current liabilities	800	514	591
Total current liabilities	3,136	2,669	2,738
Total liabilities	4,141	3,116	3,772
Total equity and liabilities	6,449	4,366	6,271

Consolidated statement of cash flows

EUR million	Q1/2023	Q1/2022
Cash flows from operating activities		
Profit for the period	71	45
Adjustments		
Depreciation and amortization	58	29
Financial income and expenses	5	1
Income taxes	21	17
Other non-cash items	-7	-3
Change in net working capital	88	-38
Net interests and dividends received	-1	-2
Income taxes paid	-27	-29
Net cash provided by (+) / used in (-) operating activities	208	19
Cash flows from investing activities		
Capital expenditure on fixed assets	-25	-24
Business combinations, net of cash acquired and loans repaid	-9	-13
Investments in associated companies	—	12
Net cash provided by (+) / used in (-) investing activities	-33	-25
Cash flows from financing activities		
Redemption of own shares	-4	-5
Dividends paid	—	-179
Repayments of current portion of non-current debt	-36	-43
Repayments of lease liabilities	-11	-6
Net proceeds from (+) / repayments of (-) current debt	17	15
Financial investments	12	2
Net cash provided by (+) / used in (-) financing activities	-22	-216
Net increase (+) / decrease (-) in cash and cash equivalents	153	-222
Effect of changes in exchange rates on cash and cash equivalents	-2	4
Cash and cash equivalents at beginning of period	277	517
Cash and cash equivalents at end of the period	429	300

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, 2023	140	1,369	-20	8	997	2,494	5	2,499
Profit for the period	—	—	—	—	70	70	1	71
Other comprehensive income for the period	—	—	-12	-3	-5	-20	—	-20
Total comprehensive income for the period	—	—	-12	-3	64	50	1	51
Transactions with owners in their capacity as owners								
Dividends	—	—	—	—	-239	-239	—	-239
Purchase of treasury shares	—	—	—	—	-4	-4	—	-4
Share-based payments, net of tax	—	3	—	—	-1	2	—	2
Balance at March 31, 2023	140	1,372	-32	6	816	2,302	7	2,308
Balance at January 1, 2022								
	100	426	-16	13	804	1,326	6	1,332
Change in accounting principles ¹	—	—	—	—	-2	-2	—	-2
Restated balance at January 1, 2022	100	426	-16	13	802	1,324	6	1,330
Profit for the period	—	—	—	—	45	45	—	45
Other comprehensive income for the period	—	—	14	4	40	58	—	58
Total comprehensive income for the period	—	—	14	4	85	103	—	103
Transactions with owners in their capacity as owners								
Dividends	—	—	—	—	-179	-179	—	-179
Purchase of treasury shares	—	—	—	—	-5	-5	—	-5
Share-based payments, net of tax	—	6	—	—	-4	2	—	2
Balance at March 31, 2022	100	432	-2	17	698	1,245	6	1,251

¹ Net impact arising from the adoption of IAS 12 amendments, as of January 1, 2022.

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 April 26, 2023.

Basis of presentation

These condensed consolidated interim financial statements for the three months ended March 31, 2023, 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, 2022, 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, 2023. 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.

Amendments to IAS 12 Income Taxes became effective as of January 1, 2023. The amendments narrow the scope for the initial recognition exception and require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. Amendments are applied to transactions that occur on or after the beginning of the earliest comparative period presented. At the beginning of the earliest comparative period, January 1, 2022, deferred taxes are recognized for all temporary differences related to right-of-use assets and lease liabilities at that date, with the cumulative effect recognized as an adjustment to the opening balance of retained earnings. Applying the amendments to IAS 12 resulted in cumulative effect of EUR -1.8 million recognized as an adjustment to opening retained earnings as at January 1, 2022, and EUR 0.3 million expense recognized for changes in deferred taxes in 2022.

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, 2022.

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	
	Q1/2023	Q1/2022	Q1/2023	Q1/2022
USD (US dollar)	1.0748	1.1196	1.0875	1.1101
SEK (Swedish krona)	11.2071	10.4205	11.2805	10.3370
CNY (Chinese yuan)	7.3802	7.0996	7.4763	7.0403

Business combinations

Acquisition of NovaTech Automation's Process Solutions business

On January 3, 2023, Valmet has completed the acquisition of the U.S. based NovaTech Automation's Process Solutions business.

The acquired business specializes in process control and optimization solutions for batch, continuous and hybrid processes. It serves customers mainly in process industries such as food and beverage, pharmaceuticals and chemical products. With a turnover of approximately USD 18 million in 2022, it employs 76 people in the United States and the Benelux countries. The acquisition excludes NovaTech Automation's other divisions. The acquired business has been consolidated into the Group financials from the acquisition date onwards. The assumed accounting for the acquisition, including estimated purchase consideration, is based on provisional amounts and the associated purchase accounting is not final.

The acquisition of NovaTech Automation's Process Solutions business did not have a material impact on the results or financial position of Valmet, or its financial reporting for the three months ended March 31, 2023.

Reportable segments and geographic information

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

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

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

Orders received, EUR million	Q1/2023	Q1/2022	Change	2022
Services	577	451	28%	1,756
Automation	391	147	>100%	1,081
Process Technologies	584	727	-20%	2,356
Total	1,552	1,324	17%	5,194

Net sales, EUR million	Q1/2023	Q1/2022	Change	2022
Services	389	317	23%	1,606
Automation	304	88	>100%	1,040
Process Technologies	628	555	13%	2,428
Total	1,321	960	38%	5,074

Comparable EBITA, EUR million	Q1/2023	Q1/2022	Change	2022
Services	63	30	>100%	237
Automation	50	11	>100%	190
Process Technologies	30	41	-27%	145
Other	-9	-3	>100%	-39
Total	133	79	68%	533

Comparable EBITA, % of net sales	Q1/2023	Q1/2022		2022
Services	16.1%	9.6%		14.8%
Automation	16.3%	12.1%		18.3%
Process Technologies	4.7%	7.3%		6.0%
Total	10.1%	8.3%		10.5%

EBITA, EUR million	Q1/2023	Q1/2022	Change	2022
Services	62	30	>100%	228
Automation	44	10	>100%	170
Process Technologies	33	38	-14%	134
Other	-9	-4	>100%	18
Total	131	74	76%	550

EBITA, % of net sales	Q1/2023	Q1/2022		2022
Services	16.0%	9.6%		14.2%
Automation	14.6%	11.3%		16.3%
Process Technologies	5.2%	6.9%		5.5%
Total	9.9%	7.7%		10.8%

Items affecting comparability, EUR million	Q1/2023	Q1/2022	Change	2022
Services	-	-		-9
Automation	-5	-1	>100%	-20
Process Technologies	3	-2		-10
Other	-	-2		57
Total	-2	-5	-60%	17

Amortization, EUR million	Q1/2023	Q1/2022	Change	2022
Services	-2	-2	5%	-7
Automation	-27	-3	>100%	-84
Process Technologies	-2	-2	-3%	-7
Other	-4	-5	-26%	-16
Total	-34	-11	>100%	-114

Reconciliation between Comparable EBITA, EBITA and Operating profit

EUR million	Q1/2023	Q1/2022
Comparable EBITA	133	79
Items affecting comparability in cost of sales		
Expenses related to capacity adjustments	—	—
Expensing of fair value adjustments recognized in business combinations	-3	—
Other items affecting comparability	—	-3
Items affecting comparability in selling, general and administrative expenses		
Expenses related to capacity adjustments	—	—
Expenses related to acquisitions	—	-8
Other items affecting comparability ¹	-4	—
Items affecting comparability in other operating income and expenses		
Expenses related to capacity adjustments	—	—
Expenses related to acquisitions	—	—
Other items affecting comparability ²	6	1
Items affecting comparability in share in profits and losses of associated companies, operative investments		
Other items affecting comparability	-1	6
EBITA	131	74
Amortization included in cost of sales		
Other intangibles	—	—
Amortization included in selling, general and administrative expenses		
Intangibles recognized in business combinations	-29	-5
Other intangibles	-5	-4
Amortization included in share in profits and losses of associated companies, operative investments		
Other intangibles	—	-2
Operating profit	97	63

¹ In 2023, includes expenses related to the fire that happened in 2022 at Valmet's Rautpohja factory site in Jyväskylä, Finland.

² In 2023, includes expenses from Valmet's withdrawal from Russia, and income related to the fire that happened in 2022 at Valmet's Rautpohja factory site in Jyväskylä, Finland.

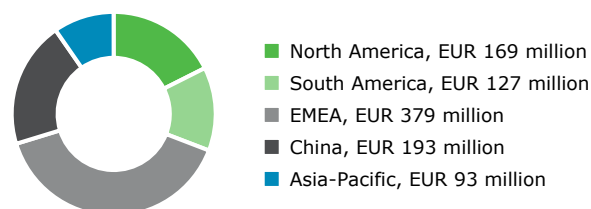
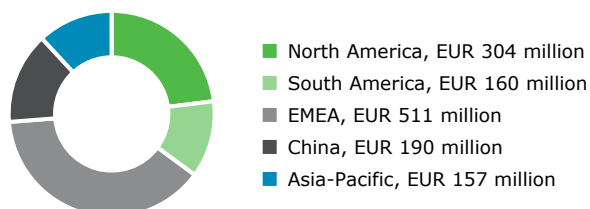
Entity-wide information

Valmet has operations globally in over 40 countries. Measured by net sales, the top three countries in Q1/2023 were the USA, China and Brazil, which together accounted for 42 percent of total net sales. In Q1/2022, the top three countries were China, the USA and Finland, which together accounted for 49 percent of total net sales. Net sales for Finland (the country of domicile) amounted EUR 79 million in Q1/2023 (EUR 134 million).

Net sales by destination:

Q1/2023: EUR 1,321 million

Q1/2022: EUR 960 million



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

EUR million	North America	South America	EMEA	China	Asia-Pacific	Total
Q1/2023	4	1	17	3	1	25
Q1/2022	1	1	18	3	—	24

Revenue

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

Net sales by business lines:

EUR million	Q1/2023	Q1/2022
Services	389	317
Flow Control	188	—
Automation Systems	116	88
Pulp and Energy	286	276
Paper	342	279
Total	1,321	960

Timing of revenue recognition:

EUR million	Q1/2023	Q1/2022
Performance obligations satisfied at a point in time	600	353
Performance obligations satisfied over time	722	607
Total	1,321	960

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	Q1/2023	Q1/2022	2022
Carrying value at beginning of the period	485	280	280
Translation differences	-2	1	-6
Acquired in business combinations	—	—	—
Revenue recognized in the period	261	331	1,179
Transfers to trade receivables	-228	-261	-968
Carrying value at end of the period	517	352	485

Amounts due to customers under revenue contracts:

EUR million	Q1/2023	Q1/2022	2022
Carrying value at beginning of the period	1,205	1,263	1,263
Translation differences	-9	18	-7
Acquired in business combinations	—	—	29
Revenue recognized in the period	-595	-431	-2,090
Consideration invoiced and/or received	696	374	2,011
Carrying value at end of the period	1,297	1,224	1,205

EUR million	As at March 31, 2023	As at March 31, 2022	As at December 31, 2022
Amounts due to customers under revenue contracts for which revenue is recognized			
Point in time	365	394	359
Over time	932	830	846
Carrying value at end of the period	1,297	1,224	1,205

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 March 31, 2023, 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 March 31, 2023, was EUR 4,595 million (EUR 4,459 million).

Net working capital

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

EUR million	As at March 31, 2023	As at March 31, 2022	As at December 31, 2022	Q1/2023 impact
Assets included in net working capital				
Other non-current assets	14	9	14	—
Inventories	1,011	755	934	-76
Trade receivables	778	585	834	56
Amounts due from customers under revenue	516	351	485	-31
Derivative financial instruments (assets)	48	62	69	21
Other receivables	236	150	223	-13
Liabilities included in net working capital				
Employee benefits	-136	-138	-132	4
Provisions	-216	-222	-219	-2
Other non-current non-interest-bearing liabilities	-1	-2	-1	—
Trade payables	-516	-371	-442	75
Amounts due to customers under revenue contracts	-1,297	-1,224	-1,205	92
Derivative financial instruments (liabilities)	-58	-32	-56	2
Other current liabilities	-793	-513	-588	205
Total net working capital	-413	-590	-82	331
Effect of changes in foreign exchange rates				3
Remeasurement of defined benefit plans				-9
Change in allowance for doubtful receivables and inventory obsolescence provision				-2
Dividend liability (non-cash net working capital change in Q1)				-239
Acquired in business combinations				4
Change in net working capital in the Consolidated statement of cash flows				88

Intangible assets and property, plant and equipment

Intangible assets

EUR million	Q1/2023	Q1/2022	2022
Carrying value at beginning of the period	2,641	1,004	1,004
Translation differences	-4	3	7
Capital expenditure	6	8	32
Acquired in business combinations	4	14	1,712
Amortization charges for the period	-34	-9	-112
Impairment losses	—	—	-2
Other changes and disposals	—	—	-1
Carrying value at end of the period	2,612	1,019	2,641

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

EUR million	Q1/2023	Q1/2022	2022
Carrying value at beginning of the period	495	404	404
Translation differences	-3	4	-4
Capital expenditure	19	16	80
Acquired in business combinations	—	1	74
Depreciation charges for the period	-14	-12	-55
Impairment losses	—	—	-2
Other changes and disposals	-1	—	-2
Carrying value at end of the period	496	413	495

Leases

Right-of-use assets

EUR million	Q1/2023	Q1/2022	2022
Carrying value at beginning of the period	105	65	65
Translation differences	-1	—	-1
Additions	13	3	32
Acquired in business combinations	2	—	46
Depreciation	-10	-6	-34
Other changes	-1	—	-3
Carrying value at end of the period	108	62	105

Financial instruments

Derivative financial instruments

As at March 31, 2023	Notional amount	Fair value, assets	Fair value, liabilities	Fair value, net
Forward exchange contracts ¹	3,590	37	-56	-18
Interest rate swaps ¹	185	8	-1	8
Electricity forward contracts ²	155	2	-1	1
Nickel forward contracts ³	312	—	—	—
Steel scrap forward contracts ³	823	—	—	—

As at March 31, 2022	Notional amount	Fair value, assets	Fair value, liabilities	Fair value, net
Forward exchange contracts ¹	3,064	53	-32	21
Interest rate swaps ¹	75	3	—	2
Electricity forward contracts ²	190	5	—	5
Nickel forward contracts ³	150	1	—	1
Steel scrap forward contracts ³	828	—	—	—

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 March 31, 2023	As at March 31, 2022
Non-current financial assets		
Equity investments at fair value through other comprehensive income	8	9
Equity investments at fair value through profit or loss	2	2
Loan receivables at amortized cost	—	—
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	9	11
Carrying value at end of the period	20	23
Current financial assets		
Interest-bearing financial assets at fair value through other comprehensive income	19	54
Loan receivables at amortized cost	—	89
Non-interest-bearing financial assets at amortized cost	8	9
Trade receivables at amortized cost	778	585
Derivative financial instruments at fair value through profit or loss	6	20
Derivative financial instruments qualified for hedge accounting	33	31
Cash and cash equivalents at amortized cost	429	300
Carrying value at end of the period	1,273	1,086

EUR million	As at March 31, 2023	As at March 31, 2022
Non-current financial liabilities		
Loans from financial institutions at amortized cost	519	159
Lease liabilities at amortized cost	66	35
Derivative financial instruments at fair value through profit or loss	—	—
Derivative financial instruments qualified for hedge accounting	5	3
Carrying value at end of the period	590	197
Current financial liabilities		
Loans from financial institutions at amortized cost	40	215
Lease liabilities at amortized cost	37	21
Interest-bearing liabilities at amortized cost	131	15
Trade payables at amortized cost	516	371
Derivative financial instruments at fair value through profit or loss	18	11
Derivative financial instruments qualified for hedge accounting	35	18
Carrying value at end of the period	777	651

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	Q1/2023	Q1/2022	2022
Carrying value at beginning of the period	219	214	214
Translation differences	-1	2	-2
Additions charged to profit or loss	29	39	133
Acquired in business combinations	—	—	9
Used reserve	-21	-21	-92
Reversal of reserve	-9	-11	-44
Carrying value at end of the period	216	222	219
Non-current	38	32	38
Current	178	191	181

Contingencies and commitments

EUR million	As at March 31, 2023	As at March 31, 2022	As at December 31, 2022
Guarantees on behalf of Valmet Group	1,647	1,469	1,521

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

Events after the reporting period

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

Key indicators

	Q1/2023	Q1/2022
Comparable return on capital employed (Comparable ROCE) before taxes (LTM), %	19%	24%
Return on capital employed (ROCE) before taxes (LTM), %	20%	24%
Return on equity (ROE) (LTM), %	20%	24%
Net debt to EBITDA ² ratio ¹	0.49	0.01
Gearing, end of period, %	15%	0%
Equity to assets ratio, end of period, %	45%	40%
Capital employed, end of period	3,101	1,696
Interest-bearing liabilities, end of period, EUR million	792	445
Net interest-bearing liabilities, end of period, EUR million	345	3
Earnings per share, EUR	0.38	0.30
Diluted earnings per share, EUR	0.38	0.30
Adjusted earnings per share, EUR	0.51	0.33
Equity per share, end of period, EUR	12.50	8.32
Number of outstanding shares, end of period	184,150,320	149,521,643
Average number of outstanding shares	184,133,081	149,434,558
Average number of diluted shares	184,133,081	149,434,558

¹ Net debt to EBITDA ratio is a new alternative performance measure. It enables users of the financial information to prepare more meaningful analysis on Valmet's performance and is presented with comparatives from Q1/2023 onwards.

² Last twelve months EBITDA

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. Some of the alternative performance measures are calculated on a last twelve months basis (LTM).

Comparable gross profit (GP):

Gross profit +/- items affecting comparability in cost of sales

Comparable selling, general and administrative (SG&A) expenses:

Selling, general and administrative expenses +/- items affecting comparability in selling, general and administrative expenses

EBITA:

Operating profit + amortization

Comparable EBITA¹:

Operating profit + amortization +/- items affecting comparability

Earnings per share:

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

Diluted earnings per share:

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

Adjusted earnings per share¹:

Profit attributable to shareholders of the Company - expensing of fair value adjustments recognized in business combinations, net of tax

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

Equity per share:

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

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

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

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

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

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

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

Equity to assets ratio, %:

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

Gearing, %:

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

Net interest-bearing liabilities:

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

Net debt to EBITDA ratio:

$$\frac{\text{Net interest-bearing liabilities}}{\text{Operating profit + amortization + depreciation (LTM)}}$$

¹Alternative performance measure also calculated on a last twelve months basis.

Quarterly information

EUR million	Q1/2023	Q4/2022	Q3/2022	Q2/2022	Q1/2022
Orders received	1,552	1,385	1,178	1,306	1,324
Order backlog, end of period	4,595	4,403	4,672	4,784	4,459
Net sales	1,321	1,540	1,288	1,286	960
Comparable gross profit ¹	330	395	317	331	220
% of net sales	24.9%	25.6%	24.6%	25.7%	22.9%
Comparable SG&A expenses ¹	-229	-234	-209	-231	-154
% of net sales	-17.3%	-15.2%	-16.3%	-18.0%	-16.0%
Comparable EBITA	133	196	136	122	79
% of net sales	10.1%	12.7%	10.5%	9.5%	8.3%
Operating profit	97	156	97	120	63
% of net sales	7.3%	10.1%	7.6%	9.4%	6.5%
Profit before taxes	91	152	98	120	62
% of net sales	6.9%	9.9%	7.6%	9.3%	6.5%
Profit for the period	71	121	71	101	45
% of net sales	5.4%	7.9%	5.5%	7.8%	4.7%
Earnings per share, EUR	0.38	0.66	0.38	0.55	0.30
Adjusted earnings per share, EUR	0.51	0.80	0.51	0.68	0.33
Expensing of fair value adjustments recognized in business combinations, net of tax, EUR million	-24	-26	-23	-25	-4
Amortization	-34	-34	-34	-34	-11
Depreciation, property, plant and equipment (excl. right-of-use assets)	-14	-13	-15	-15	-12
Depreciation, right-of-use assets	-10	-9	-9	-9	-6
Depreciation, total	-24	-23	-24	-24	-18
Items affecting comparability:					
in cost of goods sold	-4	-11	-10	-22	-3
in selling, general and administrative expenses	-4	-6	-6	-3	-8
in other operating income and expenses, net	6	9	12	55	1
in share in profits and losses of associated companies, operative investments	-1	2	—	1	6
Total items affecting comparability	-2	-6	-4	32	-5
Cash flow provided by operating activities, EUR million	208	-13	115	-85	19
Cash flow after investments, EUR million	175	-45	88	18	-6
Gross capital expenditure (excl. business combinations and right-of-use assets)	-25	-32	-29	-27	-24
Business combinations, net of cash acquired and loans repaid	-9	—	1	130	-13
Research and development expenses, net	-29	-27	-23	-26	-19
% of net sales	-2.2%	-1.7%	-1.8%	-2.0%	-2.0%

¹ Comparable gross profit, and Comparable selling, general and administrative expenses (Comparable SG&A expenses) are new alternative performance measures. They enable users of the financial information to prepare more meaningful analysis on Valmet's performance and are presented with comparatives from Q1/2023 onwards.

Quarterly segment information

Orders received, EUR million	Q1/2023	Q4/2022	Q3/2022	Q2/2022	Q1/2022
Services	577	418	427	460	451
Automation	391	324	306	305	147
Process Technologies	584	644	444	542	727
Total	1,552	1,385	1,178	1,306	1,324

Net sales, EUR million	Q1/2023	Q4/2022	Q3/2022	Q2/2022	Q1/2022
Services	389	505	381	403	317
Automation	304	363	296	292	88
Process Technologies	628	672	610	591	555
Total	1,321	1,540	1,288	1,286	960

Comparable EBITA, EUR million	Q1/2023	Q4/2022	Q3/2022	Q2/2022	Q1/2022
Services	63	95	55	57	30
Automation	50	78	52	50	11
Process Technologies	30	38	36	31	41
Other	-9	-14	-7	-15	-3
Total	133	196	136	122	79

Comparable EBITA, % of net sales	Q1/2023	Q4/2022	Q3/2022	Q2/2022	Q1/2022
Services	16.1%	18.7%	14.3%	14.2%	9.6%
Automation	16.3%	21.4%	17.6%	17.0%	12.1%
Process Technologies	4.7%	5.6%	5.8%	5.2%	7.3%
Total	10.1%	12.7%	10.5%	9.5%	8.3%

EBITA, EUR million	Q1/2023	Q4/2022	Q3/2022	Q2/2022	Q1/2022
Services	62	94	55	49	30
Automation	44	71	48	41	10
Process Technologies	33	36	36	24	38
Other	-9	-11	-7	40	-4
Total	131	190	132	154	74

EBITA, % of net sales	Q1/2023	Q4/2022	Q3/2022	Q2/2022	Q1/2022
Services	16.0%	18.6%	14.4%	12.2%	9.6%
Automation	14.6%	19.6%	16.2%	13.9%	11.3%
Process Technologies	5.2%	5.4%	5.8%	4.0%	6.9%
Total	9.9%	12.3%	10.2%	12.0%	7.7%

Items affecting comparability, EUR million	Q1/2023	Q4/2022	Q3/2022	Q2/2022	Q1/2022
Services	—	-1	—	-8	—
Automation	-5	-7	-4	-9	-1
Process Technologies	3	-1	—	-7	-2
Other	—	3	—	56	-2
Total	-2	-6	-4	32	-5

Amortization, EUR million	Q1/2023	Q4/2022	Q3/2022	Q2/2022	Q1/2022
Services	-2	-2	-2	-2	-2
Automation	-27	-27	-27	-27	-3
Process Technologies	-2	-2	-2	-2	-2
Other	-4	-4	-4	-4	-5
Total	-34	-34	-34	-34	-11

Valmet's financial reporting in 2023

July 26, 2023 - Half Year Financial Review for January–June 2023
October 25, 2023 - Interim Review for January–September 2023



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