

Interim Review

January 1 – March 31, 2022



Valmet's Interim Review

January 1 – March 31, 2022

Orders received amounted to EUR 1.3 billion and Comparable EBITA to EUR 79 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.

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

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

- Orders received remained at the previous year's level and amounted to EUR 1,324 million (EUR 1,312 million).
 - Orders received increased in the Automation and Services segments, and decreased in the Process Technologies segment.
 - Orders received increased in South America, Asia-Pacific and North America, remained at the previous year's level in China, and decreased in EMEA (Europe, Middle East and Africa).
- Net sales increased 12 percent to EUR 960 million (EUR 858 million).
 - Net sales increased in the Automation, Process Technologies and Services segments.
- Comparable earnings before interest, taxes and amortization (Comparable EBITA) were EUR 79 million (EUR 80 million).
 - Comparable EBITA increased in the Automation segment and decreased in the Services and Process Technologies segments.
- Comparable EBITA margin was 8.3 percent (9.4%).
- Earnings per share were EUR 0.30 (EUR 0.38).
- Items affecting comparability amounted to EUR -5 million (EUR 8 million).
- Cash flow provided by operating activities was EUR 19 million (EUR 148 million).

Guidance for 2022

Valmet reiterates its guidance issued on April 1, 2022, in which Valmet estimates that, including the merger with Neles, net sales in 2022 will increase in comparison with 2021 (EUR 3,935 million) and Comparable EBITA in 2022 will increase in comparison with 2021 (EUR 429 million).

Short-term market outlook

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

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

President and CEO Pasi Laine: Orders received remained at the previous year's record-high level in the first quarter

"Valmet's orders received remained at the previous year's level and amounted to EUR 1,324 million in the first quarter of 2022. This is a good achievement, as orders received were record high also in the comparison period. Orders received increased in Automation and Services segments, and decreased in the Process Technologies segment. Our order backlog increased to EUR 4,459 million, which is EUR 362 million higher than at the end of 2021.

Net sales increased and Comparable EBITA remained at the previous year's level. Despite the increase in net sales, Comparable EBITA margin decreased. Comparable EBITA increased in Automation, and decreased in Services and Process Technologies. The availability of certain components has reduced and costs increased, which impacted margins. Furthermore, Valmet's SG&A costs increased. Valmet's goal is to offset the cost inflation at least partly through increased productivity, procurement savings and strict price discipline.

In March, we received all competition approvals for the merger of Neles into Valmet and the merger was completed on April 1, 2022. Valmet now has a unique, even stronger offering for global process industries and a solid platform for further business growth especially in automation systems and flow control solutions. From the beginning of the merger process, we have had a strong view on the excellent long-term value potential to the shareholders, the industrial logic and synergy potential. With our team of 17,000 professionals around the world we will now work together in realizing these targets.

To better highlight the performance of Valmet's businesses, we have decided to change our financial reporting structure. Valmet now consists of three segments: Services, Automation and Process Technologies. Earlier Valmet reported its profitability only on group level, but now we publish the Comparable EBITA and certain other financial figures also for the three segments."

Merger with Neles

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

On July 2, 2021, Valmet had entered into EUR 350 million term loan facilities agreement with Danske Bank A/S and Nordea Bank Abp. The syndication of the term loan facilities was closed

on October 20, 2021. The loan was used for refinancing existing indebtedness of Valmet and Neles in connection with the merger. EUR 215 million (originally 301 million) bridge facility agreement originally entered into by Neles was transferred to Valmet in connection with the completion of the merger. The bridge loan facility was used for financing of the extra distribution to shareholders of Neles. EUR 345 million term loan facility dated July 2, 2021 for the purposes of financing potential cash redemptions of Neles' shares from Neles' shareholders opposing the merger was cancelled on October 6, 2021.

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

Valmet and Neles were separate listed companies prior to the merger, and Neles is consolidated into Valmet as of April 1, 2022.

Valmet's new financial reporting structure

Starting from January 1, 2022, Valmet has a new financial reporting structure consisting of three reportable segments (segments): Services, Automation and Process Technologies. Services segment includes the Services business line. Automation segment includes the Automation Systems business line (previously called Automation), and as of April 1, 2022, also the Flow Control business line. Process Technologies segment includes the Pulp and Energy, and Paper business lines. For the segments, Valmet reports orders received, net sales, Comparable EBITA, EBITA, items affecting comparability and amortization.

Russian government's invasion of Ukraine and sanctions on Russia

Due to the Russian government's invasion of Ukraine, Valmet has reviewed key contractual obligations, project schedules, and identified risks for projects that are delivered to Russia. Based on the review, Valmet has identified projects that it estimates no longer meet the criteria of a customer contract for revenue recognition purposes, and has consequently made a reversal of approximately EUR 70 million to its order backlog as at March 31, 2022.

Other than the reversal made to Valmet's order backlog, the Russian government's invasion of Ukraine did not have a material impact on the results or financial position of Valmet, or its financial reporting for the first quarter of 2022. Valmet employed approximately 120 employees in Russia at the end of March, 2022, and Valmet's net sales in Russia were around 2 percent of Valmet's total net sales in 2021.

Valmet complies with all sanctions and export regulations impacting business with Russia and Belarus and monitors the development actively.

Key figures¹

EUR million	Q1/2022	Q1/2021	Change	2021
Orders received	1,324	1,312	1%	4,740
Order backlog ²	4,459	3,709	20%	4,096
Net sales	960	858	12%	3,935
Comparable earnings before interest, taxes and amortization (Comparable EBITA)	79	80	-1%	429
% of net sales	8.3%	9.4%		10.9%
Earnings before interest, taxes and amortization (EBITA)	74	89	-16%	448
% of net sales	7.7%	10.3%		11.4%
Operating profit (EBIT)	63	76	-17%	399
% of net sales	6.5%	8.9%		10.1%
Profit before taxes	62	75	-17%	395
Profit for the period	45	57	-21%	296
Earnings per share, EUR	0.30	0.38	-21%	1.98
Earnings per share, diluted, EUR	0.30	0.38	-21%	1.98
Equity per share, EUR ²	8.34	7.18	16%	8.87
Cash flow provided by operating activities	19	148	-87%	482
Cash flow after investments	-6	125		382
Return on equity (ROE) (annualized)	14%	21%		24%
Return on capital employed (ROCE) before taxes (annualized)	15%	20%		24%
Equity to assets ratio ²	40%	37%		42%
Gearing ²	0%	3%		-7%

¹ The calculation of key figures is presented on page 51.

² At end of period.

Segment key figures

Orders received, EUR million	Q1/2022	Q1/2021	Change	2021
Services	451	383	18%	1,481
Automation	147	123	19%	467
<i>Automation Systems</i>	147	123	19%	467
Process Technologies	727	807	-10%	2,793
<i>Pulp and Energy</i>	327	458	-29%	1,160
<i>Paper</i>	400	349	15%	1,634
Total	1,324	1,312	1%	4,740

Net sales, EUR million	Q1/2022	Q1/2021	Change	2021
Services	317	288	10%	1,360
Automation	88	67	31%	412
<i>Automation Systems</i>	88	67	31%	412
Process Technologies	555	503	10%	2,163
<i>Pulp and Energy</i>	276	227	22%	1,022
<i>Paper</i>	279	275	1%	1,141
Total	960	858	12%	3,935

Comparable EBITA, EUR million	Q1/2022	Q1/2021	Change	2021
Services	30	36	-16%	204
Automation	11	5	>100%	79
Process Technologies	41	43	-5%	175
Other	-3	-4	-29%	-30
Total	79	80	-1%	429

Comparable EBITA, % of net sales	Q1/2022	Q1/2021	2021
Services	9.6%	12.6%	15.0%
Automation	12.1%	7.2%	19.2%
Process Technologies	7.3%	8.5%	8.1%
Total	8.3%	9.4%	10.9%

EBITA, EUR million	Q1/2022	Q1/2021	Change	2021
Services	30	41	-27%	210
Automation	10	4	>100%	83
Process Technologies	38	43	-10%	173
Other	-4	—	—	-18
Total	74	89	-16%	448

News conference and webcast for analysts, investors and media

Valmet will arrange a news conference in English as a live webcast at <https://valmet.videosync.fi/2022-q1> on Wednesday, April 27, 2022, at 2:00 p.m. Finnish time (EEST). President and CEO Pasi Laine will be presenting Valmet's results. Flow Control Business Line President Simo Sääskilahti will present highlights of Neles' first quarter 2022 results.

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

It is possible to take part in the news conference through a conference call. Conference call participants are requested to dial in at least five minutes prior to the start of the conference at

Finland +358 981710310

United Kingdom +44 3333000804

France +33 170750711

Germany +49 6913803430

Norway +47 23500243

Sweden +46 856642651

United States +1 6319131422

The participants will be asked to provide the conference PIN: 92595845#

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 in the Automation and Services segments

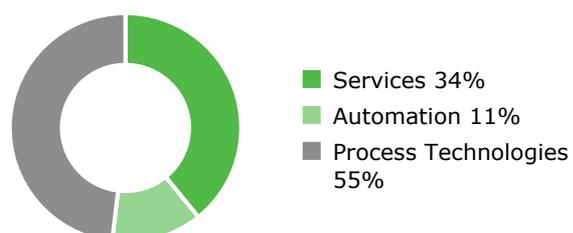
Orders received, EUR million	Q1/2022	Q1/2021	Change	2021
Services	451	383	18%	1,481
Automation	147	123	19%	467
Automation Systems	147	123	19%	467
Process Technologies	727	807	-10%	2,793
Pulp and Energy	327	458	-29%	1,160
Paper	400	349	15%	1,634
Total	1,324	1,312	1%	4,740

Orders received, comparable foreign exchange rates, EUR million ¹	Q1/2022	Q1/2021	Change	2021
Services	436	383	14%	1,481
Automation	144	123	17%	467
Automation Systems	144	123	17%	467
Process Technologies	712	807	-12%	2,793
Pulp and Energy	326	458	-29%	1,160
Paper	386	349	11%	1,634
Total	1,291	1,312	-2%	4,740

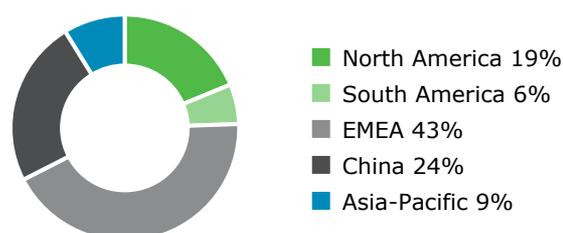
¹ Indicative only. January–March 2022 orders received in euro calculated by applying January–March 2021 average exchange rates to the functional currency orders received values reported by entities.

Orders received, EUR million	Q1/2022	Q1/2021	Change	2021
North America	249	194	28%	725
South America	75	38	96%	696
EMEA	570	691	-18%	2,022
China	315	319	-1%	755
Asia-Pacific	116	69	69%	544
Total	1,324	1,312	1%	4,740

Orders received by segment, Q1/2022



Orders received by area, Q1/2022



Orders received remained at the previous year's level and amounted to EUR 1,324 million (EUR 1,312 million) in January–March. Stable business (Services and Automation segments) accounted for 45 percent (39%) of Valmet's orders received. Orders received increased in the Automation and Services segments, and decreased in the Process Technologies segment.

Orders received increased in South America, Asia-Pacific and North America, remained at the previous year's level in China, and decreased in EMEA. Measured by orders received, the biggest countries were China and the USA, which together accounted for 39 percent of total orders received. The emerging markets accounted for 49 percent (41%) of orders received.

Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2021 increased orders received by approximately EUR 33 million in January–March.

During January–March, Valmet received among others an order for a fiberline modernization to a pulp mill in Brazil, typically valued at around EUR 25–40 million, an order for a waste-to-energy boiler to Vietnam, typically valued at around EUR 20–30 million, and an order for a sizing section rebuild in Mexico, typically valued at around EUR 15–20 million.

Order backlog amounted to EUR 4.5 billion and was 20 percent higher than at the end of March 2021

Order backlog, EUR million	As at March 31, 2022	As at March 31, 2021	Change	As at December 31, 2021
Total	4,459	3,709	20%	4,096

Order backlog amounted to EUR 4,459 million at the end of the reporting period, which is 9 percent higher than at the end of December 2021 and 20 percent higher than at the end of March 2021. Approximately 20 percent of the order backlog relates to the Services segment, 5 percent to the Automation segment, and 75 percent to the Process Technologies segment (same split at the end of March 2021). Approximately 60 percent of the order backlog is currently expected to be realized as net sales during 2022 (at the end of March 2021, approximately 65% was expected to be realized as net sales during 2021).

Net sales increased in all segments

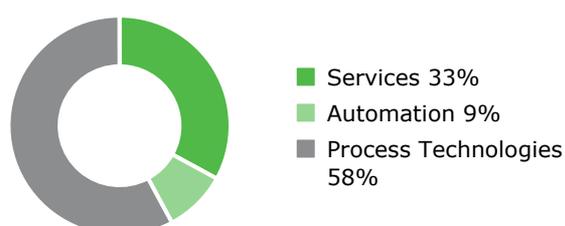
Net sales, EUR million	Q1/2022	Q1/2021	Change	2021
Services	317	288	10%	1,360
Automation	88	67	31%	412
Automation Systems	88	67	31%	412
Process Technologies	555	503	10%	2,163
Pulp and Energy	276	227	22%	1,022
Paper	279	275	1%	1,141
Total	960	858	12%	3,935

Net sales, comparable foreign exchange rates, EUR million¹	Q1/2022	Q1/2021	Change	2021
Services	306	288	6%	1,360
Automation	86	67	27%	412
Automation Systems	86	67	27%	412
Process Technologies	544	503	8%	2,163
Pulp and Energy	273	227	20%	1,022
Paper	271	275	-2%	1,141
Total	936	858	9%	3,935

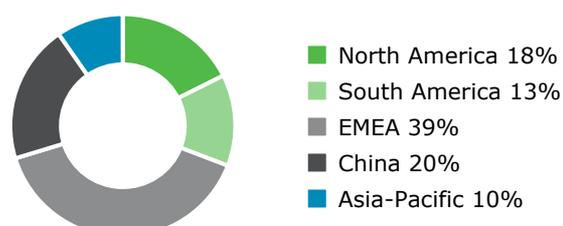
¹ Indicative only. January–March 2022 net sales in euro calculated by applying January–March 2021 average exchange rates to the functional currency net sales values reported by entities.

Net sales, EUR million	Q1/2022	Q1/2021	Change	2021
North America	169	192	-12%	780
South America	127	97	31%	384
EMEA	379	331	14%	1,614
China	193	158	22%	780
Asia-Pacific	93	80	16%	377
Total	960	858	12%	3,935

Net sales by segment, Q1/2022



Net sales by area, Q1/2022



Net sales increased 12 percent to EUR 960 million (EUR 858 million) in January–March. Stable business (Services and Automation segments) accounted for 42 percent (41%) of Valmet’s net sales. Net sales increased in the Automation, Process Technologies and Services segments.

Net sales increased in South America, China, Asia-Pacific and EMEA, and decreased in North America. Measured by net sales, the top three countries were China, the USA and Finland, which together accounted for 49 percent of total net sales. Emerging markets accounted for 50 percent (45%) of net sales.

Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2021 increased net sales by approximately EUR 24 million in January–March.

Comparable EBITA

Comparable EBITA, EUR million	Q1/2022	Q1/2021	Change	2021
Services	30	36	-16%	204
Automation	11	5	>100%	79
Process Technologies	41	43	-5%	175
Other	-3	-4	-29%	-30
Total	79	80	-1%	429

Comparable EBITA, % of net sales	Q1/2022	Q1/2021	2021
Services	9.6%	12.6%	15.0%
Automation	12.1%	7.2%	19.2%
Process Technologies	7.3%	8.5%	8.1%
Total	8.3%	9.4%	10.9%

In January–March, comparable earnings before interest, taxes and amortization (Comparable EBITA) remained at the previous year's level and were EUR 79 million, i.e. 8.3 percent of net sales (EUR 80 million and 9.4%). Items affecting comparability amounted to EUR -5 million (EUR 8 million).

In January–March, Comparable EBITA of the Services segment decreased to EUR 30 million, corresponding to 9.6 percent of the segment's net sales (EUR 36 million and 12.6%). Comparable EBITA decreased due to cost inflation.

In January–March, Comparable EBITA of the Automation segment increased to EUR 11 million, corresponding to 12.1 percent of the segment's net sales (EUR 5 million and 7.2%). Comparable EBITA increased due to higher net sales.

In January–March, Comparable EBITA of the Process Technologies segment decreased to EUR 41 million, corresponding to 7.3 percent of the segment's net sales (EUR 43 million and 8.5%). Comparable EBITA decreased due to cost inflation.

On EBITA, Valmet's investment in Neles had a positive impact of EUR 6 million in January–March (EUR 4 million).

Operating profit

Operating profit (EBIT) in January–March was EUR 63 million, i.e. 6.5 percent of net sales (EUR 76 million and 8.9%).

On EBIT, Valmet's investment in Neles had a positive impact of EUR 4 million in January–March (EUR 0 million).

Net financial income and expenses

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

Profit before taxes and earnings per share

Profit before taxes for January–March was EUR 62 million (EUR 75 million). The profit attributable to owners of the parent in January–March was EUR 45 million (EUR 57 million), corresponding to earnings per share (EPS) of EUR 0.30 (EUR 0.38).

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

In January–March, the annualized return on capital employed (ROCE) before taxes was 15 percent (20%) and the annualized return on equity (ROE) was 14 percent (21%).

Segments

Services: Orders received and net sales increased in Q1/2022

Services segment	Q1/2022	Q1/2021	Change	2021
Orders received (EUR million)	451	383	18%	1,481
Net sales (EUR million)	317	288	10%	1,360
Comparable EBITA (EUR million)	30	36	-16%	204
Comparable EBITA, %	9.6%	12.6%		15.0%
Personnel (end of period)	6,174	5,959	4%	5,958

In January–March, orders received by the Services segment increased 18 percent to EUR 451 million (EUR 383 million). Services accounted for 34 percent (29%) of Valmet's orders received. Orders received increased in all geographical areas. Orders received increased in Fabrics; Board, Paper and Tissue Solutions; Performance Parts; and Rolls, and remained at the previous year's level in Pulp and Energy Solutions. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2021 increased orders received by approximately EUR 15 million.

Net sales for the Services segment amounted to EUR 317 million (EUR 288 million) in January–March, corresponding to 33 percent (34%) of Valmet's net sales. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2021 increased net sales by approximately EUR 11 million.

In January–March, Comparable EBITA of the Services segment decreased to EUR 30 million, corresponding to 9.6 percent of the segment's net sales (EUR 36 million and 12.6%). Comparable EBITA decreased due to cost inflation.

COVID-19 related travel restrictions impacted Services' business environment during January–March. Services business line was affected by reduced component availability and longer delivery times of certain components.

Automation: Orders received, net sales and comparable EBITA increased in Q1/2022

Automation segment	Q1/2022	Q1/2021	Change	2021
Orders received (EUR million)	147	123	19%	467
Net sales (EUR million)	88	67	31%	412
Comparable EBITA (EUR million)	11	5	>100%	79
Comparable EBITA, %	12.1%	7.2%		19.2%
Personnel (end of period)	1,999	1,922	4%	1,986

In January–March, orders received by the Automation segment increased 19 percent to EUR 147 million (EUR 123 million) and accounted for 11 percent (9%) of Valmet's orders received. Orders received increased in all areas except for EMEA, where orders received remained at the previous year's level. Orders received increased in both Pulp and Paper, and Energy and Process. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2021 increased orders received by approximately EUR 3 million.

Net sales for the Automation segment amounted to EUR 88 million (EUR 67 million) in January–March, corresponding to 9 percent (8%) of Valmet's net sales. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2021 increased net sales by approximately EUR 2 million.

In January–March, Comparable EBITA of the Automation segment increased to EUR 11 million, corresponding to 12.1 percent of the segment's net sales (EUR 5 million and 7.2%). Comparable EBITA increased due to higher net sales.

COVID-19 related travel restrictions and access restrictions to some customer sites impacted Automation's business environment especially in China during January–March. Automation was affected by reduced component availability and longer delivery times of certain components.

Process Technologies: Orders received decreased and net sales increased in Q1/2022

Process Technologies segment	Q1/2022	Q1/2021	Change	2021
Orders received (EUR million)	727	807	-10%	2,793
Net sales (EUR million)	555	503	10%	2,163
Comparable EBITA (EUR million)	41	43	-5%	175
Comparable EBITA, %	7.3%	8.5%		8.1%
Personnel (end of period)	5,579	5,567	0%	5,654

In January–March, orders received by the Process Technologies segment decreased 10 percent to EUR 727 million (EUR 807 million). Process Technologies accounted for 55 percent (61%) of Valmet's orders received. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2021 increased orders received by approximately EUR 15 million.

Net sales for the Process Technologies segment amounted to EUR 555 million (EUR 503 million) in January–March, corresponding to 58 percent (59%) of Valmet's net sales. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2021 increased net sales by approximately EUR 11 million.

In January–March, Comparable EBITA of the Process Technologies segment decreased to EUR 41 million, corresponding to 7.3 percent of the segment's net sales (EUR 43 million and 8.5%). Comparable EBITA decreased due to cost inflation.

Pulp and Energy business line	Q1/2022	Q1/2021	Change	2021
Orders received (EUR million)	327	458	-29%	1,160
Net sales (EUR million)	276	227	22%	1,022
Personnel (end of period)	1,921	1,825	5%	1,946

In January–March, orders received by the Pulp and Energy business line decreased 29 percent to EUR 327 million (EUR 458 million). Pulp and Energy accounted for 25 percent (35%) of Valmet's orders received. Orders received increased in South America and Asia Pacific, and decreased in China, North America and EMEA. Orders received increased in Energy and decreased in Pulp.

Net sales for the Pulp and Energy business line increased to EUR 276 million (EUR 227 million) in January–March, corresponding to 29 percent (26%) of Valmet's net sales.

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

Paper business line	Q1/2022	Q1/2021	Change	2021
Orders received (EUR million)	400	349	15%	1,634
Net sales (EUR million)	279	275	1%	1,141
Personnel (end of period)	3,658	3,742	-2%	3,708

In January–March, orders received by the Paper business line increased 15 percent to EUR 400 million (EUR 349 million) and accounted for 30 percent (27%) of Valmet's orders received. Orders received increased in all other areas except for EMEA, where orders received decreased. Orders received increased in Small and Medium size Machines, Tissue, and Board and Paper, and decreased in Stock Preparation and Recycled Fiber.

Net sales for the Paper business line remained at the previous year's level and amounted to EUR 279 million (EUR 275 million) in January–March, corresponding to 29 percent (32%) of Valmet's net sales.

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

Cash flow and financing

Cash flow provided by operating activities amounted to EUR 19 million (EUR 148 million) in January–March. Net working capital totaled EUR -590 million (EUR -805 million) at the end of the reporting period. Change in net working capital in the statement of cash flows was EUR -38 million (EUR 96 million) in January–March. Payment schedules of large capital projects have a significant impact on net working capital development.

Cash flow after investments totaled EUR -6 million (EUR 125 million) in January–March.

At the end of March, gearing was 0 percent (3%) and equity to assets ratio was 40 percent (37%). Interest-bearing liabilities amounted to EUR 445 million (EUR 478 million), and net

interest-bearing liabilities totaled EUR 3 million (EUR 30 million) at the end of the reporting period.

The average maturity of Valmet's non-current debt was 4.1 years, and average interest rate was 0.9 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 300 million (EUR 385 million) and interest-bearing current financial assets (excluding extra distribution receivable from Neles) totaling EUR 54 million (EUR 62 million). Liquidity was additionally secured by a EUR 300 million syndicated revolving credit facility agreement, which matures in 2024 with two 1-year extension options dependent on the approval of the banks concerned, and an uncommitted commercial paper program worth of EUR 200 million, of which EUR 15 million was outstanding at the end of the reporting period.

Capital expenditure

Gross capital expenditure (excluding business combinations and leased assets) totaled EUR 24 million (EUR 24 million) in January–March, of which maintenance investments were EUR 7 million (EUR 11 million).

Acquisitions and disposals

Acquisitions

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

Disposals

Valmet made no disposals during January–March 2022.

Merger with Neles

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

distribution of funds of EUR 2.00 per share were executed on March 31, 2022. The merger of Valmet and Neles was registered with the Finnish Trade Register on April 1, 2022.

On July 2, 2021, Valmet had entered into EUR 350 million term loan facilities agreement with Danske Bank A/S and Nordea Bank Abp. The syndication of the term loan facilities was closed on October 20, 2021. The loan was used for refinancing existing indebtedness of Valmet and Neles in connection with the merger. EUR 215 million (originally 301 million) bridge facility agreement originally entered into by Neles was transferred to Valmet in connection with the completion of the merger. The bridge loan facility was used for financing of the extra distribution to shareholders of Neles. EUR 345 million term loan facility dated July 2, 2021 for the purposes of financing potential cash redemptions of Neles' shares from Neles' shareholders opposing the merger was cancelled on October 6, 2021.

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

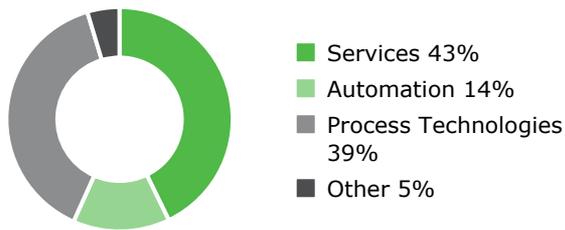
Valmet and Neles were separate listed companies prior to the merger, and Neles is consolidated into Valmet as of April 1, 2022.

Personnel

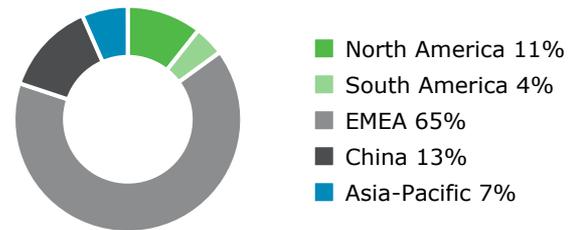
Personnel	As at March 31, 2022	As at March 31, 2021	Change	As at December 31, 2021
Services	6,174	5,959	4%	5,958
Automation	1,999	1,922	4%	1,986
<i>Automation Systems</i>	1,999	1,922	4%	1,986
Process Technologies	5,579	5,567	0%	5,654
<i>Pulp and Energy</i>	1,921	1,825	5%	1,946
<i>Paper</i>	3,658	3,742	-2%	3,708
Other	665	578	15%	648
Total	14,417	14,026	3%	14,246

Personnel	As at March 31, 2022	As at March 31, 2021	Change	As at December 31, 2021
North America	1,530	1,523	0%	1,500
South America	621	545	14%	604
EMEA	9,403	9,187	2%	9,296
China	1,922	1,878	2%	1,911
Asia-Pacific	941	893	5%	935
Total	14,417	14,026	3%	14,246

Personnel by segment as at March 31, 2022



Personnel by area as at March 31, 2022



During January–March, Valmet employed an average of 14,313 people (14,012). The number of personnel at the end of March was 14,417 (14,026). Personnel expenses totaled EUR 255 million (EUR 234 million) in January–March, of which wages, salaries and remuneration amounted to EUR 200 million (EUR 184 million).

Impacts of the COVID-19 pandemic on Valmet

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

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

Strategic goals and their implementation

Valmet is the leading global developer and supplier of competitive and reliable process technologies, automation and services for pulp, paper and energy industries. With its automation systems and flow control solutions the company serves an even wider base of process industries. Valmet is committed to moving its customers performance forward with its unique offering and way to serve.

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

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

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

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

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

Valmet's financial targets are the following:

Financial targets

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

Continued focus on improving profitability

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

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

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

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

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

Progress in sustainability

As part of its Annual Report 2021, Valmet reported on the progress of its sustainability performance in 2021. Valmet also published a separate GRI Supplement and Disclosure of non-financial information as a part of the Financial Statements 2021.

In the beginning of the year, Valmet launched its renewed Sustainability360° Agenda. The new agenda that covers Valmet’s entire value chain comprises environmental, social and governance (ESG) perspectives to sustainability. During the first quarter, Valmet saw steady progress in the overall implementation of the renewed sustainability agenda including its Climate Program.

Related to its Climate Program, Valmet started to prepare action roadmaps to promote energy auditing, energy efficiency investments, and a switch to carbon neutral electricity and district heating in its own operations.

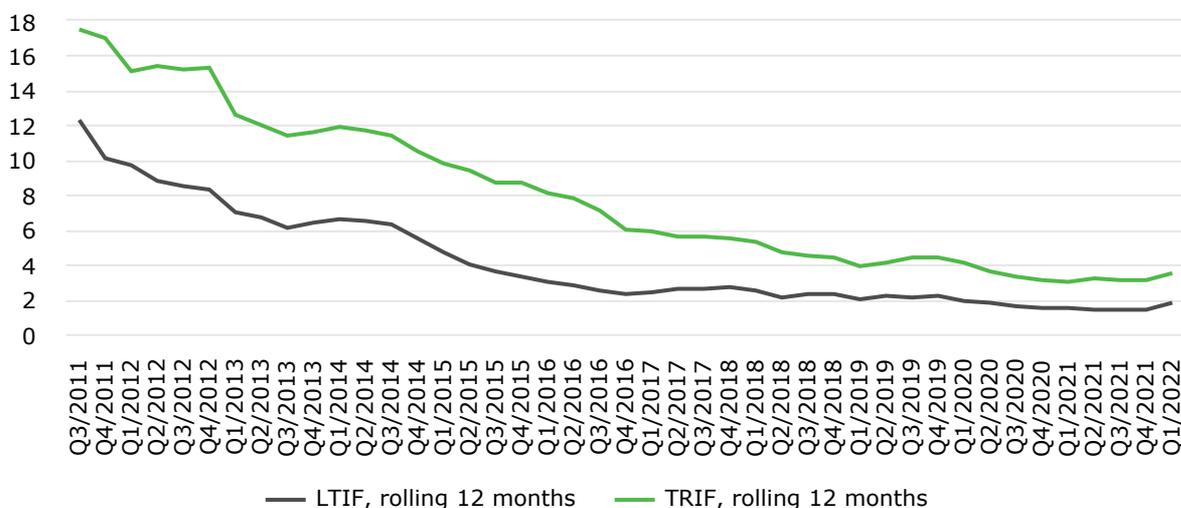
At the end of March 2022, the lost time incident frequency rate (LTIF) for Valmet’s own employees was 1.8 (1.5). However, despite Valmet’s efforts and progress in safety, a fatal contractor injury was reported during installation work at Valmet’s customer site in Sweden in January. As part of its efforts to improve safety, Valmet started a hand injury awareness program during the first quarter.

During the first quarter of 2022, Valmet continued its sustainable supply chain practices and conducted five sustainable supply chain audits. The target for the entire year is 40 audits.

In March, Valmet donated EUR 50,000 to UNICEF Finland to help the children and their families suffering from the war in Ukraine.

As a recognition for its excellent sustainability performance, Valmet received the Bronze Class distinction in the Global Sustainability Yearbook 2022 by S&P Global in January 2022.

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



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

² LTIF + medical treatment and restricted work cases

Lawsuits and claims

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

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

Corporate Governance Statement and Remuneration Report

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

Shares and shareholders

Share capital, number of shares and shareholders

	As at March 31, 2022	As at March 31, 2021
Share capital, EUR	100,000,000	100,000,000
Number of shares	149,864,619	149,864,619
Treasury shares	342,976	391,268
Shares outstanding	149,521,643	149,473,351
Market capitalization, EUR million	4,228	4,647
Number of shareholders	62,041	55,349

Shareholder structure as at March 31, 2022



- Nominee registered and non-Finnish holders 53.0%
- Solidium Oy 11.4%
- Finnish private investors 14.1%
- Finnish institutions, companies and foundations 21.5%

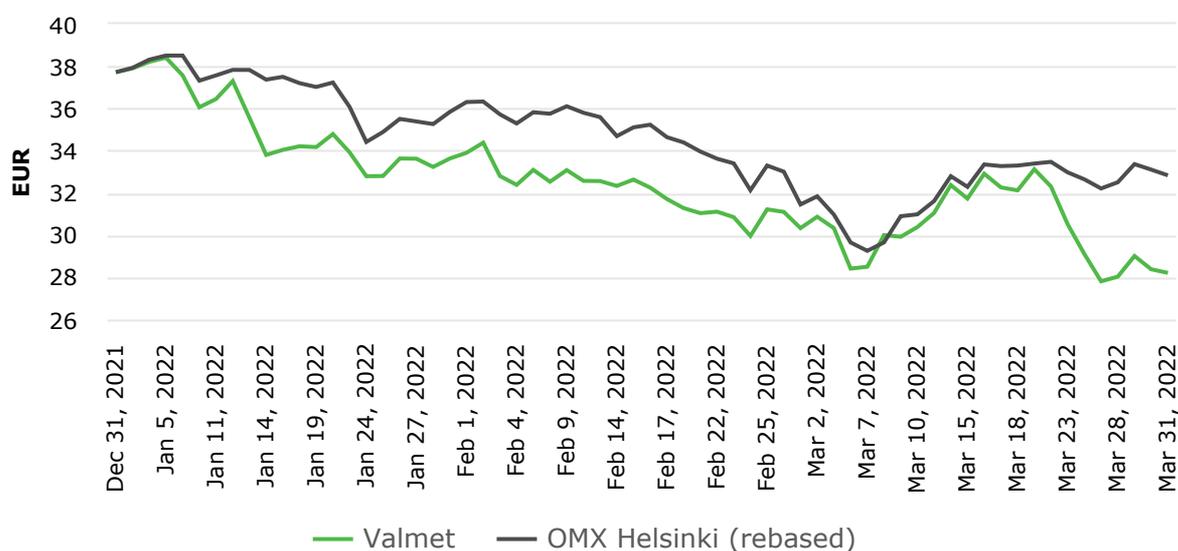
Trading of shares

Trading of Valmet shares on Nasdaq Helsinki	January 1 – March 31, 2022	January 1 - March 31, 2021
Number of shares traded	34,344,515	29,400,845
Total value, EUR million	1,108	805
High, EUR	38.41	31.52
Low, EUR	27.81	23.02
Volume-weighted average price, EUR	32.25	27.38
Closing price on the final day of trading, EUR	28.21	31.01

The closing price of Valmet's share on the final day of trading for the reporting period, March 31, 2022, was EUR 28.21, i.e. 25 percent lower than the closing price on the last day of trading in 2021 (EUR 37.72 on December 30, 2021).

In addition to Nasdaq Helsinki Ltd, Valmet's shares are also traded on other marketplaces, such as Cboe CXE, Cboe BXE and Turquoise. A total of approximately 7 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, 2021 – March 31, 2022



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, 2022, authorized Valmet's Board of Directors to decide on the repurchase of a maximum number of 7,500,000 of the Company's own shares in one or several tranches. The Company's own shares may be repurchased

otherwise than in proportion to the shareholdings of the shareholders (directed repurchase). The Company's own shares may be repurchased using the unrestricted equity of the Company at a price formed on a regulated market on the official list of Nasdaq Helsinki Ltd on the date of the repurchase or at a price otherwise formed on the market.

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

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

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

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

As at March 31, 2022, Valmet's Board of Directors had not used any authorizations given by the Annual General meeting on March 22, 2022.

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

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

Share-based incentive plans

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

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

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

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

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

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

	Long-term incentive plans 2021–2023		Long-term incentive plans 2022–2024	
Plan name	Performance Share Plan and Deferred Share Plan	Performance Share Plan	Performance Share Plan and Deferred Share Plan	Performance Share Plan
Performance period	2021	2021–2023	2022	2022–2024
Incentive based on	Comparable EBITA as a percentage of net sales, and orders received growth in the stable business	Predefined strategic target	Comparable EBITA as a percentage of net sales, and orders received growth in the stable business	ESG Index, targets linked to implementing Valmet's Climate Program and Sustainability Agenda
Reward payment	In spring 2022	In spring 2024	In spring 2023	In spring 2025
Participants				
Performance Share Plan	13	13	13	13
Deferred Share Plan	110		130	
Total gross number of shares earned	359,928 shares	53,668 shares	The rewards to be paid will correspond to a maximum total of approximately 326,000 Valmet shares	

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At the end of the reporting period, the Company held 342,976 treasury shares related to the share-based incentive programs.

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

Resolutions of Valmet's Annual General Meeting

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

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

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

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

Valmet published a stock exchange release on March 22, 2022, concerning the resolutions of the Annual General Meeting and the organizing meeting of the Board of Directors. The stock

exchange release and meeting materials can be viewed on Valmet's website at www.valmet.com/agm.

Risks and business uncertainties

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

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

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

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

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

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

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

Should 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 accelerated and wage inflation is continuing, but Valmet's goal is to offset this at least partly through increased productivity and strict price discipline. It is possible, however, that tough competition in some product categories will make it difficult to pass on cost increases to product prices. On the other hand,

some of Valmet's customers are raw material producers and their ability to operate and invest may be enhanced by strengthening commodity prices and hampered by declining commodity prices.

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

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

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

Management of project business risks important

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

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

Availability of financing crucial

Securing the continuity of Valmet's operations requires sufficient available funding under all circumstances. Valmet estimates that its liquid cash assets and committed credit limits are sufficient to secure its immediate liquidity and to ensure the flexibility of financing. The average maturity of Valmet's non-current debt, excluding lease liabilities, is 4.1 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, 2022, Valmet had EUR 739 million (EUR 716 million) of goodwill on its statement of financial position. Valmet assesses the carrying value of its goodwill for impairment annually, or more frequently if facts and circumstances indicate that carrying value may not be recoverable. Valmet has not identified any indications of impairment during the reporting period. The principles used for impairment testing are presented in the Financial Statements.

COVID-19 pandemic

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

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

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

Russian government's invasion of Ukraine

The conflict between Russia and Ukraine that started in 2014 concerning certain parts of eastern Ukraine expanded in February 2022 to Russia's military attack on Ukraine, which causes significant risks and uncertainties to the markets affecting the entire global economic environment and financial markets. If the war is further prolonged or geopolitical tensions increase further, there could be additional adverse impacts on Valmet's operations, customer investment activity, project deliveries, availability and prices of components, supply chain and availability of financing for both Valmet and its customers.

Valmet's net sales in Russia were around 2 percent of Valmet's total net sales in 2021. Valmet has established an Incident Management Team (IMT) to monitor the situation and manage company's response to the impacts of the war.

Events after the reporting period

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

Due to the completion of the merger, Valmet also updated its guidance for 2022 and confirmed its new financial targets. Valmet's financial targets are the following (previous targets in brackets):

- Net sales for stable business to grow over two times the market growth (unchanged)
- Net sales for capital business to exceed market growth (unchanged)
- Comparable EBITA: 12–14 percent (10–12%)
- Comparable return on capital employed (ROCE) before taxes at least 15 percent (at least 20%)
- Dividend payout at least 50 percent of net profit (unchanged)

Stable business refers to Services, Flow Control and Automation Systems business lines. Capital business refers to Paper, and Pulp and Energy business lines.

On April 11, 2022, Valmet announced that Kari Saarinen has decided to resign from his position as Valmet's CFO. The employment relationship will end in accordance with Kari Saarinen's executive agreement, while his working obligation ends at the end of April.

On April 27, 2022, Valmet announced that starting from January 1, 2022, Valmet changes its financial reporting structure to better highlight the performance of Valmet's businesses. Valmet consists of three reportable segments: Services, Automation and Process Technologies. In addition to orders received and net sales, Valmet will disclose profitability of the segments.

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

Guidance for 2022

Valmet reiterates its guidance issued on April 1, 2022, in which Valmet estimates that, including the merger with Neles, net sales in 2022 will increase in comparison with 2021 (EUR 3,935 million) and Comparable EBITA in 2022 will increase in comparison with 2021 (EUR 429 million).

Market outlook

General economic outlook according to IMF

Economic damage from the war in Ukraine will contribute to a significant slowdown in global growth in 2022 and add to inflation. Fuel and food prices have increased rapidly. Global growth is projected to slow from an estimated 6.1 percent in 2021 to 3.6 percent in 2022 and 2023. Beyond 2023, global growth is forecast to decline to about 3.3 percent over the medium term. War-induced commodity price increases and broadening price pressures have

led to 2022 inflation projections of 5.7 percent in advanced economies and 8.7 percent in emerging market and developing economies. (IMF World Economic Outlook, April 19, 2022)

Short-term market outlook

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

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 27, 2022

Valmet's Board of Directors

Consolidated statement of income

EUR million	Q1/2022	Q1/2021
Net sales	960	858
Cost of goods sold	-743	-644
Gross profit	217	214
Selling, general and administrative expenses	-162	-142
Other operating income and expenses, net	4	4
Share in profits and losses of associated companies, operative investments	4	—
Operating profit	63	76
Financial income and expenses, net	-1	-1
Share in profits and losses of associated companies, financial investments	—	—
Profit before taxes	62	75
Income taxes	-17	-18
Profit for the period	45	57
Attributable to:		
Owners of the parent	45	57
Non-controlling interests	—	—
Profit for the period	45	57
Earnings per share attributable to owners of the parent:		
Earnings per share, EUR	0.30	0.38
Diluted earnings per share, EUR	0.30	0.38

Consolidated statement of comprehensive income

EUR million	Q1/2022	Q1/2021
Profit for the period	45	57
Items that may be reclassified to profit or loss:		
Cash flow hedges	5	-17
Currency translation on subsidiary net investments	14	7
Share of other comprehensive income of associated companies accounted for using equity method	2	-2
Income tax relating to items that may be reclassified	-1	3
Total items that may be reclassified to profit or loss	20	-8
Items that will not be reclassified to profit or loss:		
Remeasurement of defined benefit plans	49	31
Share of other comprehensive income of associated companies accounted for using equity method	1	—
Income tax relating to items that will not be reclassified	-11	-7
Total items that will not be reclassified to profit or loss	38	24
Other comprehensive income for the period	58	16
Total comprehensive income for the period	103	73
Attributable to:		
Owners of the parent	103	73
Non-controlling interests	—	—
Total comprehensive income for the period	103	73

Consolidated statement of financial position

Assets

EUR million	As at March 31, 2022	As at March 31, 2021	As at December 31, 2021
Non-current assets			
Intangible assets			
Goodwill	739	716	730
Other intangible assets	280	271	274
Total intangible assets	1,019	987	1,004
Property, plant and equipment			
Land and water areas	26	25	25
Buildings and structures	127	124	123
Machinery and equipment	185	180	183
Leased assets	62	65	65
Assets under construction	75	54	72
Total property, plant and equipment	475	448	468
Other non-current assets			
Investments in associated companies	367	465	461
Non-current financial assets	23	21	22
Deferred tax assets	66	68	66
Non-current income tax receivables	28	25	28
Other non-current assets	9	6	8
Total other non-current assets	493	585	585
Total non-current assets	1,987	2,021	2,057
Current assets			
Inventories			
Materials and supplies	107	79	94
Work in progress	497	386	425
Finished products	150	137	143
Total inventories	755	602	662
Receivables and other current assets			
Trade receivables	585	561	644
Amounts due from customers under revenue contracts	351	198	280
Other current financial assets	193	96	80
Income tax receivables	47	33	28
Other receivables	150	127	150
Cash and cash equivalents	300	385	517
Total receivables and other current assets	1,626	1,400	1,700
Total current assets	2,381	2,002	2,363
Total assets	4,368	4,022	4,420

Consolidated statement of financial position

Equity and liabilities

EUR million	As at March 31, 2022	As at March 31, 2021	As at December 31, 2021
Equity			
Share capital	100	100	100
Reserve for invested unrestricted equity	432	426	426
Cumulative translation adjustments	-2	-33	-16
Hedge and other reserves	17	8	13
Retained earnings	700	573	804
Equity attributable to owners of the parent	1,247	1,073	1,326
Non-controlling interests	6	6	6
Total equity	1,253	1,079	1,332
Liabilities			
Non-current liabilities			
Non-current debt	159	374	195
Non-current lease liabilities	35	39	37
Post-employment benefits	138	170	189
Non-current provisions	32	43	25
Other non-current liabilities	5	7	4
Deferred tax liabilities	78	68	69
Total non-current liabilities	447	701	520
Current liabilities			
Current debt	230	43	222
Current lease liabilities	21	22	22
Trade payables	371	298	374
Current provisions	191	168	189
Amounts due to customers under revenue contracts	1,224	1,119	1,263
Other current financial liabilities	29	32	24
Income tax liabilities	88	56	79
Other current liabilities	514	504	396
Total current liabilities	2,669	2,242	2,569
Total liabilities	3,116	2,943	3,088
Total equity and liabilities	4,368	4,022	4,420

Consolidated statement of cash flows

EUR million	Q1/2022	Q1/2021
Cash flows from operating activities		
Profit for the period	45	57
Adjustments		
Depreciation and amortization	29	30
Financial income and expenses	1	1
Income taxes	17	18
Other non-cash items	-3	-12
Change in net working capital	-38	96
Net interests and dividends received	-2	-2
Income taxes paid	-29	-39
Net cash provided by (+) / used in (-) operating activities	19	148
Cash flows from investing activities		
Capital expenditure on fixed assets	-24	-24
Proceeds from sale of fixed assets	—	1
Business combinations, net of cash acquired and loans repaid	-13	—
Investments in associated companies	12	—
Net cash provided by (+) / used in (-) investing activities	-25	-23
Cash flows from financing activities		
Redemption of own shares	-5	-3
Dividends paid	-179	—
Proceeds from non-current debt	—	100
Repayments of non-current debt	-43	-118
Repayments of lease liabilities	-6	-6
Change in current debt	15	—
Financial investments	2	7
Net cash provided by (+) / used in (-) financing activities	-216	-20
Net increase (+) / decrease (-) in cash and cash equivalents	-222	105
Effect of changes in exchange rates on cash and cash equivalents	4	7
Cash and cash equivalents at beginning of period	517	274
Cash and cash equivalents at end of the period	300	385

Consolidated statement of changes in equity

EUR million	Share capital	Reserve for invested unrestricted equity	Cumulative translation adjustments	Hedge and other reserves	Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance at January 1, 2022	100	426	-16	13	804	1,326	6	1,332
Profit for the period	—	—	—	—	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	700	1,247	6	1,253
Balance at January 1, 2021	100	423	-40	21	633	1,137	6	1,142
Profit for the period	—	—	—	—	57	57	—	57
Other comprehensive income for the period	—	—	7	-13	22	16	—	16
Total comprehensive income for the period	—	—	7	-13	79	73	—	73
Transactions with owners in their capacity as owners								
Dividends	—	—	—	—	-135	-135	—	-135
Purchase of treasury shares	—	—	—	—	-3	-3	—	-3
Share-based payments, net of tax	—	3	—	—	-1	1	—	1
Balance at March 31, 2021	100	426	-33	8	573	1,073	6	1,079

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 27, 2022.

Basis of presentation

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

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

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

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

Key exchange rates

	Average rates		Period-end rates	
	Q1/2022	Q1/2021	Q1/2022	Q1/2021
USD (US dollar)	1.1196	1.2063	1.1101	1.1725
SEK (Swedish krona)	10.4205	10.1306	10.3370	10.2383
CNY (Chinese yuan)	7.0996	7.8367	7.0403	7.6812

Business combinations

Acquisitions of Coldwater

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

The acquisition of Coldwater did not have a material impact on the results or financial position of Valmet, or its financial reporting for the three months ended March 31, 2022.

Reportable segments and geographic information

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

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

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

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

Orders received, EUR million	Q1/2022	Q1/2021	Change	2021
Services	451	383	18%	1,481
Automation	147	123	19%	467
Process Technologies	727	807	-10%	2,793
Total	1,324	1,312	1%	4,740

Net sales, EUR million	Q1/2022	Q1/2021	Change	2021
Services	317	288	10%	1,360
Automation	88	67	31%	412
Process Technologies	555	503	10%	2,163
Total	960	858	12%	3,935

Comparable EBITA, EUR million	Q1/2022	Q1/2021	Change	2021
Services	30	36	-16%	204
Automation	11	5	>100%	79
Process Technologies	41	43	-5%	175
Other	-3	-4	-29%	-30
Total	79	80	-1%	429

Comparable EBITA, % of net sales	Q1/2022	Q1/2021		2021
Services	9.6%	12.6%		15.0%
Automation	12.1%	7.2%		19.2%
Process Technologies	7.3%	8.5%		8.1%
Total	8.3%	9.4%		10.9%

EBITA, EUR million	Q1/2022	Q1/2021	Change	2021
Services	30	41	-27%	210
Automation	10	4	>100%	83
Process Technologies	38	43	-10%	173
Other	-4	—		-18
Total	74	89	-16%	448

EBITA, % of net sales	Q1/2022	Q1/2021		2021
Services	9.6%	14.4%		15.5%
Automation	11.3%	6.6%		20.1%
Process Technologies	6.9%	8.5%		8.0%
Total	7.7%	10.3%		11.4%

Items affecting comparability, EUR million	Q1/2022	Q1/2021	Change	2021
Services	—	5	-100%	6
Automation	-1	—	99%	4
Process Technologies	-2	—	>100%	-3
Other	-2	4		11
Total	-5	8		19

Amortization, EUR million	Q1/2022	Q1/2021	Change	2021
Services	-2	-2	2%	-6
Automation	-3	-3	0%	-11
Process Technologies	-2	-2	-3%	-8
Other	-5	-6	-17%	-24
Total	-11	-13	-9%	-49

Reconciliation between Comparable EBITA, EBITA and Operating profit

EUR million	Q1/2022	Q1/2021
Comparable EBITA	79	80
Items affecting comparability in cost of sales		
Expenses related to capacity adjustments	—	—
Expensing of fair value adjustments recognized in business combinations	—	-1
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	—	—
Items affecting comparability in other operating income and expenses		
Expenses related to capacity adjustments	—	5
Other items affecting comparability	1	—
Items affecting comparability in share in profits and losses of associated companies, operative investments		
Other items affecting comparability	6	3
EBITA	74	89
Amortization included in cost of sales		
Other intangibles	—	—
Amortization included in selling, general and administrative expenses		
Intangibles recognized in business combinations	-5	-5
Other intangibles	-4	-4
Amortization included in share in profits and losses of associated companies, operative investments		
Other intangibles	-2	-4
Operating profit	63	76

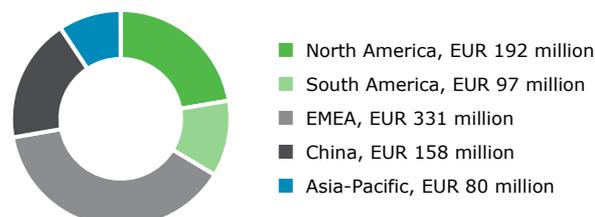
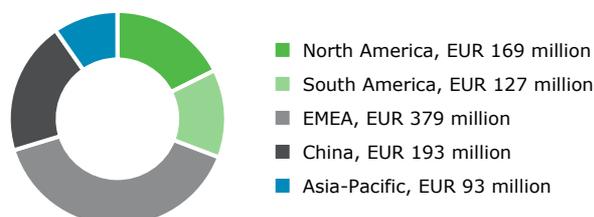
Entity-wide information

Valmet has operations globally in over 35 countries. Measured by net sales, the top three countries in Q1/2022 were China, the USA and Finland, which together accounted for 49 percent of total net sales. In Q1/2021, the top three countries were China, the USA and Brazil, which together accounted for 44 percent of total net sales. Net sales for Finland (the country of domicile) amounted EUR 134 million in Q1/2022 (EUR 80 million).

Net sales by destination:

Q1/2022: EUR 960 million

Q1/2021: EUR 858 million



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

EUR million	North America	South America	EMEA	China	Asia-Pacific	Total
Q1/2022	1	1	18	3	—	24
Q1/2021	1	—	21	2	—	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 capital projects, for which revenue is mostly recognized over time based on the cost-to-cost method. Service business line's revenue arises from large volume of short-term contracts with relatively low individual value, for which revenue is mainly recognized at a point in time. Automation business line's revenue consists of long-term contracts and short-term service contracts. The nature of long-term contracts, and therefore also the revenue recognition method, is similar to capital projects although with average contract values being lower. Revenue for short-term service contracts is recognized at a point in time. Nature of revenue in each area in any given reporting period is driven by volume and size of ongoing capital projects.

Net sales by business lines:

EUR million	Q1/2022	Q1/2021
Services	317	288
Automation	88	67
Pulp and Energy	276	227
Paper	279	275
Total	960	858

Timing of revenue recognition:

EUR million	Q1/2022	Q1/2021
Performance obligations satisfied at a point in time	353	333
Performance obligations satisfied over time	607	525
Total	960	858

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	Q1/2022	Q1/2021	2021
Carrying value at beginning of the period	280	229	229
Translation differences	1	1	2
Acquired in business combinations	—	—	—
Revenue recognized in the period	331	129	787
Transfers to trade receivables	-261	-161	-738
Carrying value at end of the period	352	198	280

Amounts due to customers under revenue contracts:

EUR million	Q1/2022	Q1/2021	2021
Carrying value at beginning of the period	1,263	1,002	1,002
Translation differences	18	9	32
Acquired in business combinations	—	—	5
Revenue recognized in the period	-431	-565	-2,230
Consideration invoiced and/or received	374	673	2,454
Carrying value at end of the period	1,224	1,119	1,263

EUR million	As at March 31, 2022	As at March 31, 2021	As at December 31, 2021
Amounts due to customers under revenue contracts for which revenue is recognized			
Point in time	394	322	349
Over time	830	797	913
Carrying value at end of the period	1,224	1,119	1,263

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

As at March 31, 2022, Valmet had no costs to obtain or fulfill contracts capitalized under IFRS 15.

The aggregate amount of transaction price allocated to unsatisfied or partially satisfied performance obligations as at March 31, 2022, was EUR 4,459 million (EUR 3,709 million).

Net working capital

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

EUR million	As at March 31, 2022	As at March 31, 2021	As at December 31, 2021	Q1/2022 impact
Assets included in net working capital				
Non-current trade receivables	—	1	1	—
Other non-current assets	9	6	8	—
Inventories	755	602	662	-93
Trade receivables	585	561	644	59
Amounts due from customers under revenue contracts	351	198	280	-72
Derivative financial instruments (assets)	62	42	43	-19
Other receivables	150	127	150	—
Liabilities included in net working capital				
Post-employment benefits	-138	-170	-189	-51
Provisions	-222	-212	-214	8
Other non-current non-interest-bearing liabilities	-2	-3	-2	—
Trade payables	-371	-298	-374	-2
Amounts due to customers under revenue contracts	-1,224	-1,119	-1,263	-39
Derivative financial instruments (liabilities)	-32	-36	-26	6
Other current liabilities	-513	-504	-394	119
Total net working capital	-590	-805	-673	-82
Effect of changes in foreign exchange rates				-4
Remeasurement of defined benefit plans				48
Change in allowance for doubtful receivables and inventory obsolescence provision				-2
Acquired in business combinations				1
Change in net working capital in the Consolidated statement of cash flows				-38

Intangible assets and property, plant and equipment

Intangible assets

EUR million	Q1/2022	Q1/2021	2021
Carrying value at beginning of the period	1,004	983	983
Translation differences	3	6	13
Capital expenditure	8	7	29
Acquired in business combinations	14	-1	16
Amortization charges for the period	-9	-9	-36
Impairment losses	—	—	-1
Carrying value at end of the period	1,019	987	1,004

Property, plant and equipment (excl. leased assets)

EUR million	Q1/2022	Q1/2021	2021
Carrying value at beginning of the period	404	375	375
Translation differences	4	3	10
Capital expenditure	16	17	68
Acquired in business combinations	1	—	—
Depreciation charges for the period	-12	-12	-47
Other changes and disposals	—	—	-2
Carrying value at end of the period	413	384	404

Leases

Leased assets

EUR million	Q1/2022	Q1/2021	2021
Carrying value at beginning of the period	65	66	66
Translation differences	—	1	2
Additions	3	6	22
Acquired in business combinations	—	—	2
Depreciation	-6	-6	-24
Other changes	—	-1	-4
Carrying value at end of the period	62	65	65

Investments in associated companies

Valmet acquired 29.5 percent of Neles' shares and voting rights during July–September 2020. There has been no change in Valmet's ownership since September 30, 2020. On April 1, 2022, Valmet announced that the statutory merger of Neles into Valmet had been registered and the combination of Valmet's and Neles' business operations had been completed. Neles is consolidated to Valmet as of April 1, 2022.

Valmet's and Neles' financial statements are coterminous, but as Neles publishes its interim reports at or near the same time as Valmet, Valmet's share of Neles' results are accounted for with a lag of one quarter. Valmet's condensed consolidated interim financial statements for the three months ended March 31, 2022, include Valmet's share of Neles' fourth-quarter 2021 results, amounting to EUR 6 million.

Valmet had no material transactions with Neles or its other associated companies in the three months ended March 31, 2022, or material receivables or liabilities as at March 31, 2022, except for dividend receivables amounting to EUR 89 million from Neles.

Summarized financial information for Neles is set out below.

EUR million	Neles ¹
Balance sheet	
Non-current assets	253
Current assets ²	196
Non-current liabilities	213
Current liabilities ²	272
Net assets	-36
Valmet's share of net assets	-11
Income statement	
Revenue	174
Profit or loss	20
Total comprehensive income	27

Reconciliation to carrying values in Valmet Group:

EUR million	Q1/2022 ¹
Net assets at beginning of the period	277
Profit for the period	20
Other comprehensive income for the period	7
Dividends paid	-340
Net assets at end of the period	-36
Valmet's share of net assets	-11
Notional goodwill and fair value adjustments	364
Carrying value at end of the period	353
Market value of listed shares at end of the period	410

¹ Balance sheet as at December 31, 2021, and income statement for Q4/2021.

² Neles' adjusted balance sheet figures include the impact of dividend and extra distribution which occurred in March, 2022. The impact of the dividend and extra distribution is shown as decrease in current assets and increase in current liabilities.

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

EUR million	Q1/2022
Historical cost	
Historical cost at beginning of the period	456
Additions	—
Historical cost at end of the period	456
Equity adjustments	
Equity adjustments at beginning of the period	-10
Profit for the period	6
Other comprehensive income for the period	2
Dividends received ¹	-101
Expensing of fair value adjustments	-2
Other adjustments	—
Equity adjustments at end of the period	-104
Carrying value at end of the period	353

¹ Dividends received includes extra distribution receivable from Neles.

There were no material changes in Valmet's investments in its other associated companies during January–March 2022.

Financial instruments

Derivative financial instruments

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	—	—	—

As at March 31, 2021	Notional amount	Fair value, assets	Fair value, liabilities	Fair value, net
Forward exchange contracts ¹	3,019	41	-34	8
Interest rate swaps ¹	75	—	-2	-2
Electricity forward contracts ²	171	—	—	—
Nickel forward contracts ³	30	—	—	—

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, 2022	As at March 31, 2021
Non-current financial assets		
Equity investments at fair value through other comprehensive income	9	9
Equity investments at fair value through profit or loss	2	2
Loan receivables at amortized cost	—	1
Loan receivables at fair value through profit or loss	—	—
Derivative financial instruments at fair value through profit or loss	—	—
Derivative financial instruments qualified for hedge accounting	11	9
Carrying value at end of the period	23	21
Current financial assets		
Interest-bearing financial assets at fair value through other comprehensive income	54	62
Loan receivables at amortized cost	89	—
Non-interest-bearing financial assets at amortized cost	9	15
Trade receivables at amortized cost	585	561
Derivative financial instruments at fair value through profit or loss	20	7
Derivative financial instruments qualified for hedge accounting	31	26
Cash and cash equivalents at amortized cost	300	385
Carrying value at end of the period	1,086	1,057

EUR million	As at March 31, 2022	As at March 31, 2021
Non-current financial liabilities		
Loans from financial institutions at amortized cost	159	374
Lease liabilities at amortized cost	35	39
Derivative financial instruments at fair value through profit or loss	—	—
Derivative financial instruments qualified for hedge accounting	3	4
Carrying value at end of the period	197	417
Current financial liabilities		
Loans from financial institutions at amortized cost	215	43
Lease liabilities at amortized cost	21	22
Interest-bearing liabilities at amortized cost	15	—
Trade payables at amortized cost	371	298
Derivative financial instruments at fair value through profit or loss	11	11
Derivative financial instruments qualified for hedge accounting	18	21
Carrying value at end of the period	651	394

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	Q1/2022	Q1/2021	2021
Carrying value at beginning of the period	214	211	211
Translation differences	2	—	2
Additions charged to profit or loss	39	26	111
Acquired in business combinations	—	—	2
Used reserve	-21	-12	-64
Reversal of reserve	-11	-14	-48
Carrying value at end of the period	222	212	214
Non-current	32	43	25
Current	191	168	189

Contingencies and commitments

EUR million	As at March 31, 2022	As at March 31, 2021	As at December 31, 2021
Guarantees on behalf of Valmet Group	1,469	1,184	1,406

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

Events after the reporting period

On April 1, 2022, Valmet announced that the statutory merger of Neles Corporation into Valmet had been registered and the combination of Valmet's and Neles' business operations had been completed. Neles is consolidated into Valmet as of April 1, 2022, and forms Valmet's fifth business line called Flow Control.

Key ratios

	Q1/2022	Q1/2021
Earnings per share, EUR	0.30	0.38
Diluted earnings per share, EUR	0.30	0.38
Equity per share at end of period, EUR	8.34	7.18
Return on equity (ROE), % (annualized)	14%	21%
Return on capital employed (ROCE) before taxes, % (annualized)	15%	20%
Equity to assets ratio at end of period, %	40%	37%
Gearing at end of period, %	0%	3%
Cash flow provided by operating activities, EUR million	19	148
Cash flow after investments, EUR million	-6	125
Gross capital expenditure (excl. business combinations and leased assets), EUR million	-24	-24
Additions to leased assets, EUR million	-3	-6
Business combinations, net of cash acquired and loans repaid, EUR million	-13	—
Additions to investments in associated companies	—	—
Depreciation and amortization, EUR million	-29	-30
Amortization	-11	-13
Depreciation, property, plant and equipment (excl. leased assets)	-12	-12
Depreciation, leased assets	-6	-6
Number of outstanding shares at end of period	149,521,643	149,473,351
Average number of outstanding shares	149,434,558	149,452,125
Average number of diluted shares	149,434,558	149,452,125
Interest-bearing liabilities at end of period, EUR million	445	478
Net interest-bearing liabilities at end of period, EUR million	3	30

Formulas for calculation of indicators

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

EBITA:

Operating profit + amortization

Comparable EBITA¹:

Operating profit + amortization +/- items affecting comparability

Earnings per share:

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

Earnings per share, diluted:

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

Equity per share:

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

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

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

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

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

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

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

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

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

Quarterly information

EUR million	Q1/2022	Q4/2021	Q3/2021	Q2/2021	Q1/2021
Net sales	960	1,199	935	943	858
Comparable EBITA	79	147	107	95	80
% of net sales	8.3%	12.2%	11.4%	10.1%	9.4%
Operating profit	63	143	95	85	76
% of net sales	6.5%	11.9%	10.1%	9.0%	8.9%
Profit before taxes	62	142	95	83	75
% of net sales	6.5%	11.8%	10.1%	8.8%	8.7%
Profit for the period	45	100	75	64	57
% of net sales	4.7%	8.3%	8.1%	6.8%	6.7%
Earnings per share, EUR	0.30	0.67	0.50	0.43	0.38
Earnings per share, diluted, EUR	0.30	0.67	0.50	0.43	0.38
Amortization	-11	-12	-12	-13	-13
Depreciation, property, plant and equipment (excl. leased assets)	-12	-12	-12	-12	-12
Depreciation, leased assets	-6	-6	-6	-6	-6
Research and development expenses, net	-19	-26	-16	-21	-19
% of net sales	-2.0%	-2.2%	-1.7%	-2.2%	-2.2%
Items affecting comparability:					
in cost of goods sold	-3	—	-1	—	—
in selling, general and administrative expenses	-8	-1	-3	-1	—
in other operating income and expenses, net	1	4	—	—	5
in share in profits and losses of associated companies, operative investments	6	6	4	4	3
Total items affecting comparability	-5	8	—	2	8
Gross capital expenditure (excl. business combinations and leased assets)	-24	-28	-22	-23	-24
Additions to leased assets	-3	-8	-5	-4	-6
Business combinations, net of cash acquired and loans repaid	-13	—	-16	1	—
Additions to investments in associated companies	—	—	—	—	—
Capital employed, end of period	1,698	1,808	1,693	1,619	1,557
Orders received	1,324	1,093	1,107	1,228	1,312
Order backlog, end of period	4,459	4,096	4,199	4,019	3,709

Quarterly segment information

Orders received, EUR million	Q1/2022	Q4/2021	Q3/2021	Q2/2021	Q1/2021
Services	451	387	341	370	383
Automation	147	119	109	116	123
Process Technologies	727	587	657	742	807
Total	1,324	1,093	1,107	1,228	1,312

Net sales, EUR million	Q1/2022	Q4/2021	Q3/2021	Q2/2021	Q1/2021
Services	317	413	322	337	288
Automation	88	160	91	94	67
Process Technologies	555	626	522	512	503
Total	960	1,199	935	943	858

Comparable EBITA, EUR million	Q1/2022	Q4/2021	Q3/2021	Q2/2021	Q1/2021
Services	30	71	50	47	36
Automation	11	40	19	15	5
Process Technologies	41	45	46	41	43
Other	-3	-10	-8	-8	-4
Total	79	147	107	95	80

Comparable EBITA, % of net sales	Q1/2022	Q4/2021	Q3/2021	Q2/2021	Q1/2021
Services	9.6%	17.2%	15.5%	13.9%	12.6%
Automation	12.1%	25.2%	20.5%	16.4%	7.2%
Process Technologies	7.3%	7.2%	8.9%	8.0%	8.5%
Total	8.3%	12.2%	11.4%	10.1%	9.4%

EBITA, EUR million	Q1/2022	Q4/2021	Q3/2021	Q2/2021	Q1/2021
Services	30	72	50	47	41
Automation	10	43	19	16	4
Process Technologies	38	44	46	41	43
Other	-4	-4	-8	-7	—
Total	74	155	107	97	89

EBITA, % of net sales	Q1/2022	Q4/2021	Q3/2021	Q2/2021	Q1/2021
Services	9.6%	17.3%	15.5%	14.0%	14.4%
Automation	11.3%	27.0%	21.0%	17.1%	6.6%
Process Technologies	6.9%	7.0%	8.8%	7.9%	8.5%
Total	7.7%	12.9%	11.4%	10.3%	10.3%

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

Amortization, EUR million	Q1/2022	Q4/2021	Q3/2021	Q2/2021	Q1/2021
Services	-2	-1	-1	-2	-2
Automation	-3	-3	-3	-3	-3
Process Technologies	-2	-2	-2	-2	-2
Other	-5	-6	-5	-6	-6
Total	-11	-12	-12	-13	-13

Valmet's financial reporting in 2022

July 27, 2022 - Half Year Financial Review for January–June 2022
October 26, 2022 - Interim Review for January–September 2022



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