Financial Statements and Report of the Board of Directors 2023

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Report of the Board of Directors January–December 2023

Governance

Current legislation, the Company's Articles of Association and the rules and regulations of organizations regulating and supervising the activities of listed companies are complied within Valmet Oyj and Valmet Group corporate governance. Valmet Oyj complies without deviation with the Finnish Corporate Governance Code for listed companies. The Code is publicly available at www.cgfinland.fi.

Corporate Governance Statement and Remuneration Report

Valmet has published a separate Corporate Governance Statement and a Remuneration Report for 2023, which comply with the recommendations of the Finnish Corporate Governance Code for listed companies. The statements also cover other central areas of corporate governance. The statements have been published on Valmet's website, separately from the Board of Directors' Report, at www.valmet.com/governance.

Annual General Meeting

The Annual General Meeting is the Company's highest decision-making body, and its tasks are defined according to the Articles of Association and the Finnish Limited Liability Companies Act. The Annual General Meeting decides on the adoption of the financial statements, the distribution of profit, discharging the members of the Board of Directors and the President and CEO from liability, appointing the members, Chair and Vice Chair of the Board as well as the auditor, their remunerations, and other matters requiring a decision by the Annual General Meeting according to the Finnish Limited Liability Companies Act that are presented to the Annual General Meeting. The General Meeting convenes at least once a year. The Board of Directors convenes the Annual General Meeting.

The Board of Directors

The Board of Directors shall see to the administration of the Company and the appropriate organization of its operations, and ensures that the monitoring of the Company's accounting and asset management is arranged appropriately. The Board of Directors monitors the Group's activities, finances and risk management, and its task is to promote the interests of shareholders and the Group by ensuring the appropriate organization of the entire Group's governance and operations.

According to Valmet's Articles of Association, the Board of Directors shall include at least five (5) members and at most eight (8) members. The term of office of Board members ends at the end of the first Annual General Meeting following the elections. The Annual General Meeting selects the Chair, Vice Chair, and other members of the Board.

President and CEO

The Board of Directors selects a President and CEO for the Company and decides on the salary and remuneration of the President and CEO as well as other terms related to the position. The Board of Directors monitors the work of the CEO.

The President and CEO is responsible for the Company's daily administration according to the instructions and regulations of the Board of Directors. The President and CEO is responsible for ensuring the legality of the Company's accounting and for the reliable organization of the Company's asset management.

Update on the integration of Flow Control into Valmet

The merger of Neles into Valmet was completed on April 1, 2022. The integration of Flow Control (former Neles) is completed and the targeted annual run rate synergies of EUR 25 million have been achieved.

Valmet's results in 2023

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

Key figures[1]

EUR million	2023	2022	2021
Orders received	**4,955**	5,194	4,740
Order backlog[2]	**3,973**	4,403	4,096
Net sales	**5,532**	5,074	3,935
Comparable earnings before interest, taxes and amortization (Comparable EBITA)	**619**	533	429
% of net sales	**11.2%**	10.5%	10.9%
Earnings before interest, taxes and amortization (EBITA)	**605**	550	448
% of net sales	**10.9%**	10.8%	11.4%
Operating profit (EBIT)	**507**	436	399
% of net sales	**9.2%**	8.6%	10.1%
Profit before taxes	**473**	431	395
Profit for the period	**359**	338	296
Earnings per share, EUR	**1.94**	1.92	1.98
Earnings per share, diluted, EUR	**1.94**	1.92	1.98
Adjusted earnings per share, EUR	**2.28**	2.37	2.09
Equity per share[2], EUR	**13.93**	13.54	8.87
Dividend per share, EUR	**1.35**[3]	1.30	1.20
Cash flow provided by operating activities	**352**	36	482
Cash flow after investing activities	**-181**	56	382
Comparable return on capital employed (Comparable ROCE) before taxes	**15%**	17%	23%
Return on capital employed (ROCE) before taxes	**14%**	18%	24%
Return on equity (ROE)	**14%**	18%	24%
Net debt to EBITDA ratio[4]	**1.46**	0.78	-0.17
Gearing[2]	**40%**	20%	-7%
Equity to assets ratio[2]	**43%**	49%	42%

[1] The calculation of key figures is presented in the section 'Formulas for calculation of indicators'.
[2] At the end of period
[3] Board of Directors' proposal.
[4] Net debt to EBITDA ratio is a new alternative performance measure. It enables users of the financial information to prepare more meaningful analysis on Valmet's performance.

Orders received remained at the previous year's level and amounted to EUR 4,955 million in 2023

Orders received, EUR million	2023	2022	Change
Services	**1,760**	1,756	0%
Automation	**1,340**	1,081	24%
Flow Control	*789*	*576*	*37%*
Automation Systems	*551*	*505*	*9%*
Process Technologies	**1,856**	2,356	-21%
Pulp and Energy	*854*	*1,072*	*-20%*
Paper	*1,002*	*1,285*	*-22%*
Total	**4,955**	**5,194**	**-5%**

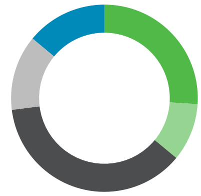
Orders received, comparable foreign exchange rates, EUR million[1]	2023	2022	Change
Services	**1,812**	1,756	3%
Automation	**1,372**	1,081	27%
Flow Control	*808*	*576*	*40%*
Automation Systems	*563*	*505*	*11%*
Process Technologies	**1,909**	2,356	-19%
Pulp and Energy	*877*	*1,072*	*-18%*
Paper	*1,032*	*1,285*	*-20%*
Total	**5,092**	5,194	-2%

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

Orders received, EUR million	2023	2022	Change
North America	**1,271**	1,260	1%
South America	**503**	353	42%
EMEA	**1,846**	2,098	-12%
China	**638**	711	-10%
Asia-Pacific	**698**	771	-10%
Total	**4,955**	5,194	-5%

Orders received by segment, %

Orders received by area, %



Orders received remained at the previous year's level and amounted to EUR 4,955 million (EUR 5,194 million) in 2023. Orders received increased in the Automation segment, remained at the previous year's level in the Services segment, and decreased in the Process Technologies segment. Flow Control was not yet part of Valmet in January–March, 2022. Tissue Converting (the acquired Körber's Business Area Tissue), which was integrated into Valmet on November 2, 2023, increased orders received by EUR 61 million. Stable business (Services and Automation segments) accounted for 63 percent (55%) of Valmet's orders received.

Orders received increased in South America, remained at the previous year's level in North America and decreased in EMEA (Europe, Middle East and Africa), China and Asia-Pacific. Measured by orders received, the top three countries were the USA, China and Indonesia, which together accounted for 41 percent of total orders received.

Changes in foreign exchange rates compared to the exchange rates in 2022 decreased orders received by approximately EUR 137 million in 2023.

In 2023, Valmet received among others an order for a coated board machine to the United States, typically valued between EUR 140 and 180 million, a major order of multiple technologies to China, an order for a biomass power plant to Sweden, an order for a fine paper making line with automation, spare parts and consumables packages to China, an order for a tissue paper making line and a biomass boiler to Brazil, a pulp technology order to Portugal, an order for key pulp and paper technologies to India, typically valued between EUR 40 and 60 million, an order for a tissue production line including an extensive automation package, flow control valves and Industrial Internet solutions to the USA, an order to convert a coal-fired district heat boiler to bubbling fluidized bed (BFB) combustion in Finland, a tissue line order with an extensive package of stock preparation, automation and service solutions to Sweden, an order for key pulp mill technology to a new pulp mill in China, orders for an automation system and valve solutions to a lithium refinery in Finland, and an order for a three-year service agreement with a biomass power plant in Spain.

Order backlog amounted to EUR 3,973 million

Order backlog, EUR million	As at Dec 31, 2023	2022	Change
Total	**3,973**	4,403	-10%

Order backlog amounted to EUR 3,973 million at the end of year 2023 and was 10 percent lower than at the end of 2022. Approximately 25 percent of the order backlog relates to the Services segment, 15 percent to the Automation segment, and 60 percent to the Process Technologies segment (at the end of December 2022, 20%, 15% and 65% respectively). Approximately 85 percent of the order backlog is currently expected to be realized as net sales during 2024 (at the end of 2022, approximately 75% was expected to be realized as net sales during 2023).

Net sales increased 9 percent to EUR 5,532 million in 2023

Net sales, EUR million	2023	2022	Change
Services	**1,784**	1,606	11%
Automation	**1,328**	1,040	28%
Flow Control	*777*	*551*	*41%*
Automation Systems	*551*	*489*	*13%*
Process Technologies	**2,420**	2,428	0%
Pulp and Energy	*1,067*	*1,081*	*-1%*
Paper	*1,353*	*1,347*	*0%*
Total	**5,532**	5,074	9%

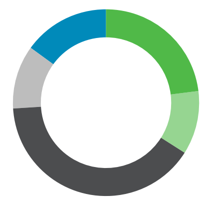
Net sales, comparable foreign exchange rates, EUR million[1]	2023	2022	Change
Services	**1,833**	1,606	14%
Automation	**1,357**	1,040	31%
Flow Control	*796*	*551*	*45%*
Automation Systems	*561*	*489*	*15%*
Process Technologies	**2,475**	2,428	2%
Pulp and Energy	*1,093*	*1,081*	*1%*
Paper	*1,382*	*1,347*	*3%*
Total	**5,665**	5,074	12%

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

Net sales, EUR million	2023	2022	Change
North America	**1,275**	1,058	20%
South America	**585**	718	-19%
EMEA	**2,219**	1,876	18%
China	**609**	829	-27%
Asia-Pacific	**845**	593	43%
Total	**5,532**	5,074	9%

Net sales by segment, %

Net sales by area, %



Net sales increased 9 percent to EUR 5,532 million (EUR 5,074 million) in year 2023. Approximately half of the increase came from Flow Control, which has been consolidated into Valmet as of April 1, 2022. Net sales increased in the Automation and Services segments and remained at the previous year's level in the Process Technologies segment. Tissue Converting (the acquired Körber's Business Area Tissue), which was integrated into Valmet on November 2, 2023, increased net sales by EUR 76 million. Stable business (Services and Automation segments) accounted for 56 percent (52%) of Valmet's net sales.

Net sales increased in Asia-Pacific, North America and EMEA, and decreased in China and South America. Measured by net sales, the top three countries were the USA, China and Indonesia, which together accounted for 38 percent of net sales.

Changes in foreign exchange rates compared to the exchange rates in 2022 decreased net sales by approximately EUR 133 million in 2023.

Organic growth[1]

	Orders received	Net sales
2022, EUR million	5,194	5,074
Organic growth	-7%	7%
Mergers and acquisitions	5%	5%
Changes in foreign exchange rates[2]	-3%	-3%
Total change	-5%	9%
2023, EUR million	**4,955**	**5,532**

[1] Indicative only.

[2] 2023 orders received and net sales in euro calculated by applying 2022 average exchange rates to the functional currency orders received and net sales values reported by entities.

In 2023,Valmet's orders received decreased organically by 7 percent while net sales increased organically by 7 percent.

In 2023, Valmet completed two acquisitions, NovaTech Automation's Process Solutions on January 3, 2023, and Körber Group's Business Area Tissue (now Tissue Converting) on November 2, 2023. Merger with Neles took place on April 1, 2022, so Flow Control was not yet part of Valmet in January–March 2022. Flow Control and the acquisitions increased Valmet's orders received and net sales by 5 percent in 2023.

Changes in foreign exchange rates compared to the exchange rates in 2022 decreased Valmet's orders received and net sales by 3 percent in 2023. Foreign exchange rate impacts were mainly due to the Swedish krona, Chinese yuan and US dollar.

Comparable EBITA increased 16 percent and Comparable EBITA margin increased to 11.2 percent in 2023

Comparable EBITA, EUR million	2023	2022	Change
Services	**312**	237	32%
Automation	**248**	190	30%
Process Technologies	**110**	145	-24%
Other	**-50**	-39	29%
Total	**619**	533	16%

Comparable EBITA, % of net sales	2023	2022
Services	**17.5%**	14.8%
Automation	**18.6%**	18.3%
Process Technologies	**4.5%**	6.0%
Total	**11.2%**	10.5%

In 2023, Valmet's comparable earnings before interest, taxes and amortization (Comparable EBITA) increased 16 percent to EUR 619 million, corresponding to 11.2 percent of net sales (EUR 533 million and 10.5%). Items affecting comparability amounted to EUR -14 million (EUR 17 million).

Comparable EBITA of the Services segment increased to EUR 312 million in 2023, corresponding to 17.5 percent of the segment's net sales (EUR 237 million and 14.8%). Comparable EBITA increased due to higher net sales.

Comparable EBITA of the Automation segment increased to EUR 248 million in 2023, corresponding to 18.6 percent of the segment's net sales (EUR 190 million and 18.3%).

Comparable EBITA of the Process Technologies segment decreased to EUR 110 million in 2023, corresponding to 4.5 percent of the segment's net sales (EUR 145 million and 6.0%). Comparable EBITA decreased as the margins in some pulp projects were impacted by cost inflation and due to cost overruns in some tissue projects.

Operating profit

Operating profit (EBIT) in 2023 was EUR 507 million, i.e. 9.2 percent of net sales (EUR 436 million and 8.6%). In the comparison period, Valmet recorded a gain of EUR 59 million under other operating income from remeasurement of Valmet's previously held equity interest in Neles.

Net financial income and expenses

Net financial income and expenses amounted to EUR -34 million (EUR -5 million) in 2023. Financial expenses increased due to higher interest rates and increased amount of debt.

Profit before taxes and Earnings per share

Profit before taxes was EUR 473 million (EUR 431 million) in 2023. The profit attributable to owners of the parent was EUR 357 million (EUR 337 million), corresponding to earnings per share (EPS) of EUR 1.94 (EUR 1.92). Adjusted EPS was EUR 2.28 (EUR 2.37).

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

The comparable return on capital employed (comparable ROCE) before taxes was 15 percent (17%) and return on capital employed (ROCE) before taxes was 14 percent (18%). Return on equity (ROE) was 14 percent (18%) in 2023.

Segments and business lines

Services: Orders received totaled EUR 1,760 million in 2023

Services segment	2023	2022	Change
Orders received (EUR million)	**1,760**	1,756	0%
Net sales (EUR million)	**1,784**	1,606	11%
Comparable EBITA (EUR million)	**312**	237	32%
Comparable EBITA, %	**17.5%**	14.8%	
Personnel (end of period)	**6,493**	6,307	3%

Orders received by the Services segment remained at the previous year's level and amounted to EUR 1,760 million (EUR 1,756 million) in 2023. Services accounted for 36 percent (34%) of Valmet's orders received. Orders received increased in South America, remained at the previous year's level in Asia-Pacific, China and EMEA and decreased in North America. Orders received increased in Pulp and Energy Solutions, remained at the previous year's level in Performance Parts, and Board, Paper and Tissue Solutions and decreased in Fabrics, and Rolls. Tissue Converting (the acquired Körber's Business Area Tissue), which was integrated into Valmet on November 2, 2023, increased Services' orders received by EUR 21 million. Changes in foreign exchange rates compared to the exchange rates in 2022 decreased orders received by approximately EUR 53 million.

Net sales for the Services segment amounted to EUR 1,784 million (EUR 1,606 million) in 2023, corresponding to 32 percent (32%) of

Valmet's net sales. Tissue Converting increased Services' net sales by EUR 26 million. Changes in foreign exchange rates compared to the exchange rates in 2022 decreased net sales by approximately EUR 49 million.

Comparable EBITA of the Services segment increased to EUR 312 million, corresponding to 17.5 percent of the segment's net sales (EUR 237 million and 14.8%). Comparable EBITA increased due to higher net sales.

Automation: Orders received totaled EUR 1,340 million in 2023

Automation segment	2023	2022	Change
Orders received (EUR million)	**1,340**	1,081	24%
Net sales (EUR million)	**1,328**	1,040	28%
Comparable EBITA (EUR million)	**248**	190	30%
Comparable EBITA, %	**18.6%**	18.3%	
Personnel (end of period)	**5,171**	4,842	7%

Orders received by the Automation segment increased 24 percent to EUR 1,340 million (EUR 1,081 million) in 2023, mostly due to Flow Control being consolidated into Valmet as of April 1, 2022. Automation accounted for 27 percent (21%) of Valmet's orders received. Changes in foreign exchange rates compared to the exchange rates in 2022 decreased orders received by approximately EUR 32 million.

Net sales for the Automation segment amounted to EUR 1,328 million (EUR 1,040 million) in 2023, corresponding to 24 percent (20%) of Valmet's net sales. Changes in foreign exchange rates compared to the exchange rates in 2022 decreased net sales by approximately EUR 29 million.

Comparable EBITA of the Automation segment increased to EUR 248 million, corresponding to 18.6 percent of the segment's net sales (EUR 190 million and 18.3%).

Flow Control business line	2023	2022	Change
Orders received (EUR million)	**789**	576	37%
Net sales (EUR million)	**777**	551	41%
Personnel (end of period)	**2,841**	2,792	2%

Orders received by the Flow Control business line amounted to EUR 789 million (EUR 576 million) and accounted for 16 percent (11%) of Valmet's orders received. Flow Control was not yet part of Valmet in January–March 2022.

Net sales for the Flow Control business line amounted to EUR 777 million (EUR 551 million), corresponding to 14 percent (11%) of Valmet's net sales.

Automation Systems business line	2023	2022	Change
Orders received (EUR million)	**551**	505	9%
Net sales (EUR million)	**551**	489	13%
Personnel (end of period)	**2,330**	2,050	14%

Orders received by the Automation Systems business line increased 9 percent to EUR 551 million (EUR 505 million) in 2023. Automation Systems accounted for 11 percent (10%) of Valmet's orders received. Orders received increased in North America, Asia-Pacific and China, remained at the previous year's level in EMEA and decreased in South America. Orders received increased in Energy and Process and remained at the previous year's level in Pulp and Paper.

Net sales for the Automation Systems business line amounted to EUR 551 million (EUR 489 million) in 2023, corresponding to 10 percent (10%) of Valmet's net sales.

Process Technologies: Orders received totaled EUR 1,856 million in 2023

Process Technologies segment	2023	2022	Change
Orders received (EUR million)	**1,856**	2,356	-21%
Net sales (EUR million)	**2,420**	2,428	0%
Comparable EBITA (EUR million)	**110**	145	-24%
Comparable EBITA, %	**4.5%**	6.0%	
Personnel (end of period)	**6,707**	5,647	19%

Orders received by the Process Technologies segment decreased 21 percent to EUR 1,856 million (EUR 2,356 million) in 2023. Process Technologies accounted for 37 percent (45%) of Valmet's orders received. Tissue Converting (the acquired Körber's Business Area Tissue), which was integrated into Valmet on November 2, 2023, increased Process Technologies' orders received by EUR 40 million. Changes in foreign exchange rates compared to the exchange rates in 2022 decreased orders received by approximately EUR 53 million.

Net sales for the Process Technologies segment amounted to EUR 2,420 million (EUR 2,428 million) in 2023, corresponding to 44 percent (48%) of Valmet's net sales. Tissue Converting increased Process Technologies' net sales by EUR 50 million. Changes in foreign exchange rates compared to the exchange rates in 2022 decreased net sales by approximately EUR 55 million.

Comparable EBITA of the Process Technologies segment decreased to EUR 110 million in 2023, corresponding to 4.5 percent of the segment's net sales (EUR 145 million and 6.0%). Comparable EBITA decreased as the margins in some pulp projects were impacted by cost inflation and due to cost overruns in some tissue projects.

Pulp and Energy business line	2023	2022	Change
Orders received (EUR million)	**854**	1,072	-20%
Net sales (EUR million)	**1,067**	1,081	-1%
Personnel (end of period)	**1,948**	1,892	3%

Orders received by the Pulp and Energy business line decreased 20 percent to EUR 854 million (EUR 1,072 million) in 2023. Pulp and Energy accounted for 17 percent (21%) of Valmet's orders received. Orders received increased in China and South America and decreased in EMEA, North America and Asia-Pacific. Orders received decreased in both Pulp and Energy.

Net sales for the Pulp and Energy business line amounted to EUR 1,067 million (EUR 1,081 million) in 2023, corresponding to 19 percent (21%) of Valmet's net sales.

Paper business line	2023	2022	Change
Orders received (EUR million)	**1,002**	1,285	-22%
Net sales (EUR million)	**1,353**	1,347	0%
Personnel (end of period)	**4,759**	3,755	27%

Orders received by the Paper business line decreased 22 percent to EUR 1,002 million (EUR 1,285 million) in 2023. Paper accounted for 20 percent (25%) of Valmet's orders received. Orders received increased in South America, remained at the previous year's level in North America and decreased in EMEA, China and Asia-Pacific. Orders received increased in Small and Medium size Machines and in Tissue, and decreased in Stock Preparation and Recycled Fiber, and in Board and Paper. Tissue Converting (the acquired Körber's Business Area Tissue), which was integrated into Valmet on November 2, 2023, increased Paper business line's orders received by EUR 40 million.

Net sales for the Paper business line amounted to EUR 1,353 million (EUR 1,347 million) in 2023, corresponding to 24 percent (27%) of Valmet's net sales. Tissue Converting increased Paper business line's net sales by EUR 50 million.

Cash flow and financing

Cash flow provided by operating activities amounted to EUR 352 million (EUR 36 million) in 2023. Change in net working capital in the statement of cash flows was EUR -180 million (EUR -399 million) in 2023.

Net working capital totaled EUR 191 million (EUR -82 million) at the end of the reporting period. Tissue Converting, which became part of Valmet on November 2, 2023, increased net working capital by approximately EUR 92 million. Valmet's net working capital profile has changed due to increased portion of stable business, which typically ties up more net working capital than capital business. In addition, inventories have remained at an elevated level and payment schedules of large long-term projects have a significant impact on net working capital development.

Cash flow after investing activities totaled EUR -181 million (EUR 56 million) in 2023.

In compliance with the resolution of the Annual General Meeting, on April 5, 2023, Valmet paid out the first installment of dividend for year 2022, EUR 120 million, corresponding to EUR 0.65 per share. The second installment, also EUR 0.65 per share and in total EUR 120 million, was paid on October 12, 2023.

At the end of 2023, net debt to EBITDA ratio was 1.46 (0.78) and gearing 40 percent (20%). Equity to assets ratio was 43 percent (49%). Interest-bearing liabilities amounted to EUR 1,484 million (EUR 809 million), and net interest-bearing liabilities totaled EUR 1,027 million (EUR 502 million) at the end of the reporting period. The increase in net debt and gearing is mainly related to the acquisition of Tissue Converting.

The average interest rate of Valmet's total debt was 4.5 percent and average maturity of non-current debt was 3.0 years at the end of 2023. Lease liabilities have been excluded from calculation of these two key performance indicators.

On September 27, 2023, Valmet announced that it has signed a EUR 175 million loan agreement with the European Investment Bank (EIB). The loan was drawn on October 5, 2023, and its maturity is eight years. The loan will support Valmet's Research and Development (R&D) activities focusing on technologies that replace fossil fuels with renewables. The loan agreement is linked to Valmet's R&D activities in 2023–2026.

On July 7, 2023, Valmet announced that the acquisition of Körber Group's Business Area Tissue will be financed with two facilities, a EUR 250 million term loan facility maturing in January 2028 and a EUR 150 million term loan facility maturing in November 2025. Loans were drawn at the closing of the acquisition on November 2, 2023.

Valmet's liquidity was strong at the end of the reporting period, with cash and cash equivalents amounting to EUR 432 million (EUR 277 million) and interest-bearing current financial assets totaling EUR 25 million (EUR 30 million). Valmet's liquidity was secured with a committed revolving credit facility of EUR 300 million, which was undrawn at the end of the reporting period. In October, Valmet utilized the second and last 1-year extension option and the maturity of the revolving credit facility was extended until October 2026. Liquidity was additionally secured by an uncommitted commercial paper program worth of EUR 300 million, of which EUR 44 million was outstanding at the end of the reporting period.

Capital expenditure

Gross capital expenditure (excluding business combinations and right-of-use assets) totaled EUR 125 million (EUR 112 million) in 2023, of which maintenance investments amounted to EUR 57 million (EUR 37 million).

Acquisitions and disposals

Acquisitions

NovaTech Automation's Process Solutions

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

Körber Group's Business Area Tissue

On July 7, 2023, Valmet announced that it has entered into an agreement to acquire Körber Group's Business Area Tissue. On November 3, 2023, Valmet announced that the acquisition has been completed. The Business Area Tissue specializes in innovative converting and packaging technologies and services for the tissue industry. In 2022, its net sales amounted to EUR 305 million and adjusted EBITDA margin was approximately 12 percent. In 2023, net sales of the business amounted to EUR 296 million, of which EUR 76 million was booked to Valmet. The company has a strong and growing services business, which accounted for 36 percent of total net sales in 2022. The business employs around 1,170 employees in Italy, Brazil, the U.S., China and Japan.

The enterprise value of the acquisition was approximately EUR 380 million on a cash and debt free basis subject to ordinary post-closing adjustments. The transaction consideration was paid in cash upon the completion. Valmet financed the acquisition with debt. The financing package consisted of two facilities, a EUR 250 million term loan facility maturing in January 2028 and a EUR 150 million term loan facility maturing in two years from the closing of the acquisition.

Valmet estimates that the acquisition will bring sales, service and cost synergies worth of EUR 8 million by the end of 2026. The acquired business formed a separate business unit under Valmet's Paper business line called Tissue Converting. It is included in Valmet's financial reporting since the fourth quarter of 2023. The process technology part of the business is consolidated to Paper business line and the services part to the Services business line.

Process Gas Chromatography business of Siemens AG

On July 17, 2023, Valmet announced that it has entered into an agreement to acquire the Process Gas Chromatography business of Siemens AG. The value of the acquisition is EUR 102.5 million on a cash and debt-free basis subject to customary adjustments. The acquisition is estimated to be completed on April 1, 2024, at the earliest, upon completion of carve-out measures and customary closing conditions.

The Process Gas Chromatography business of Siemens AG is a market leader with its Maxum II Gas Chromatograph platform, Systems Integration, and Customer Services offering. Gas Chromatographs are used to measure the chemical composition in gases and evaporable liquids in all stages of production. In 2022, net sales of the business amounted to approximately EUR 120 million and pro-forma adjusted EBITDA margin was approximately 10 percent. The business employs around 300 people, and its main locations are in the USA, Germany, and Singapore. The acquired business is planned to be integrated into Valmet's Automation Systems business line as a separate business unit.

Demuth

On December 22, 2023, Valmet announced that it has entered into an agreement to acquire Demuth, a Brazilian company specializing in wood handling solutions for the pulp industry. The value of the acquisition was not disclosed. The acquisition is subject to relevant competition authority approvals and is estimated to be completed during the second or third quarter of 2024.

Demuth operates two manufacturing facilities in southern Brazil. The company's net sales are around EUR 20–30 million annually and it employs around 300–400 people. Demuth comprises of companies "Demuth Máquinas" and "Estruturas Metálicas Demuth".

Disposals

Valmet made no disposals during 2023.

Research and development

Valmet's research and development (R&D) expenses in 2023 amounted to EUR 114 million, i.e. 2.1 percent of net sales (EUR 95 million and 1.9%). Research and development work is carried out predominantly in Finland and Sweden, within the business lines' R&D organizations and pilot facilities. In addition, research and development takes place within a network of customers, suppliers, research institutes and universities. In the end of 2023, R&D employed 551 (508) people. Valmet's R&D headcount has increased due to the R&D and innovation program Beyond Circularity, where Valmet and its ecosystem come together to innovate, renew and enable their customer industries to shift to carbon neutrality and to facilitate green transition.

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

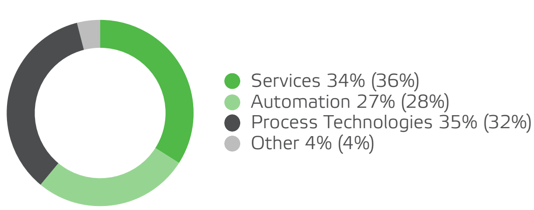
Valmet develops competitive, leading production and automation technologies and services. To enhance raw material, water and energy efficiency in its customers' production processes, Valmet combines digitalization, process technology, flow control, automation systems and services. Valmet also develops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

Personnel

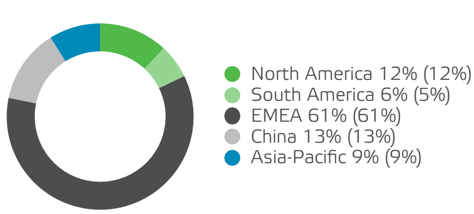
	As at Dec 31,		
Personnel by business line	**2023**	**2022**	**Change**
Services	**6,493**	6,307	3%
Automation	**5,171**	4,842	7%
Flow Control	*2,841*	*2,792*	*2%*
Automation Systems	*2,330*	*2,050*	*14%*
Process Technologies	**6,707**	5,647	19%
Pulp and Energy	*1,948*	*1,892*	*3%*
Paper	*4,759*	*3,755*	*27%*
Other	**789**	752	5%
Total	**19,160**	17,548	9%

	As at Dec 31,		
Personnel by area	**2023**	**2022**	**Change**
North America	**2,273**	2,040	11%
South America	**1,164**	833	40%
EMEA	**11,644**	10,787	8%
China	**2,432**	2,323	5%
Asia-Pacific	**1,647**	1,565	5%
Total	**19,160**	17,548	9%

Personnel by segment, %



Personnel by area, %



During 2023, Valmet employed an average of 18,130 (16,554) people. The number of personnel at the end of the year was 19,160 (17,548). Personnel expenses totaled EUR 1,292 million (EUR 1,171 million) in 2023, of which wages, salaries and remuneration amounted to EUR 1,019 million (EUR 920 million).

Changes in Valmet's Executive Team

On February 14, 2023, Valmet announced that Vesa Simola, Area President, EMEA at Valmet, has decided to continue his career outside the Company. Vesa Simola continued as member of Valmet's Executive Team and lead the Company's EMEA Area until the end of May, 2023.

On April 28, 2023, Valmet announced that Tero Kokko, Ph.D. (Eng.), M.Sc. (Econ.), has been appointed President, EMEA at Valmet as of June 1, 2023. In his new position, Tero Kokko is a member of Valmet's Executive Team and reports to President and CEO Pasi Laine. Tero Kokko previously worked in Valmet's Services business line as Vice President, Fabrics business unit. Prior to this, he worked in various management positions at Cargotec and its subsidiary Kalmar since 2011 and in Metso's Automation business between 2004–2011.

On June 21, 2023, Valmet announced that Petri Rasinmäki, M.Sc. (Eng.), MBA, has been appointed Business Line President, Paper, at Valmet as of September 1, 2023. In his new position, Petri Rasinmäki is a member of Valmet's Executive Team reporting to President and CEO Pasi Laine. Petri Rasinmäki previously held the position of Vice President, Board and Paper Mills business unit at Valmet's Paper business line. Prior to this, he worked in various management positions at Valmet and Metso since 2004. Jari Vähäpesola, the former Business Line President, Paper, retired after a long, successful career at Valmet as of December 1, 2023.

On August 18, 2023, Valmet announced that Valmet's Board of Directors has accepted the resignation of Valmet's President and CEO Pasi Laine and related terms and conditions. The Board of Directors has initiated the search for a successor. Pasi Laine will continue as the President and CEO of Valmet until the successor is appointed and ready to step in.

On August 22, 2023, Valmet announced that Julia Macharey, Senior Vice President Human Resources and Operational Development of Valmet has decided to leave the Company to move into a new position outside Valmet. Julia Macharey continued in her role until the end of January 2024.

Investments in production

On May 2, 2023, Valmet announced that it will further strengthen its press felt production capabilities in Tampere, Finland, by investing in a new weaving machine and a new heat-setting machine in addition to the ongoing press felt investment announced in August 2022. The value of the new investment will not be disclosed. The investments will safeguard Valmet's press felt production capacity for years to come and strengthen Valmet's position as one of the leading press felt suppliers globally.

Update on the impacts of Russia's invasion of Ukraine

Valmet's withdrawal from Russia was completed in December 2023. During the second half of the year, Valmet did not have employees in Russia (at the end of 2022, there were approximately 30 employees in Russia).

Strategic goals and their implementation

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

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

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

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

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

Valmet's financial targets are the following:

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

Actions to reach Comparable EBITA target of 12–14%

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

Customer excellence

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

Leader in technology and innovation

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

Excellence in processes

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

Winning team

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

Disclosure of non-financial information

Valmet reports its non-financial information in accordance with the Non-Financial Reporting Directive (NFRD), the Finnish Accounting Act, the European Union (EU) Taxonomy Regulation, and the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

Business model and value creation

Valmet is a leading global developer and supplier of process technologies, automation and services for the pulp, paper and energy industries. With our automation systems and flow control solutions we serve an even wider base of process industries. Valmet's mission is to convert renewable resources into sustainable results.

Our strong technology offering includes pulp mills, tissue, board and paper production lines, air emission control solutions, and power plants for bioenergy production. Our services, automation systems and flow control solutions improve production performance and increase the environmental efficiency and cost-effectiveness of Valmet's customers' production processes, while ensuring safe and reliable operations. Our product and service portfolio consists of productivity-enhancing services, plant upgrades and rebuilds, cost-effective new equipment and solutions for optimizing energy and raw material use, and technologies increasing the value of our customers' end products. Valmet's technologies maximize the value of renewable raw materials, while minimizing their environmental impact.

Valmet's technologies and services enable customers to apply and increase circularity in their operations to produce end products with less energy and water and significantly reduced emissions, chemicals, and raw materials, and to further improve flexibility in fuel source selection to replace fossil fuels with renewable ones. Valmet sees the transition to a carbon-neutral economy as an opportunity and believes technology plays a key role in mitigating the impacts of climate change. Valmet is enabling the transition of the pulp and paper industry to carbon neutrality.

In Valmet's own operations, more efficient processes, energy efficiency investments and purchasing CO_2-free electricity and district heat enable us to significantly reduce CO_2 emissions, as well as the use of natural resources. In our own operations, we are constantly improving our processes to increase resource efficiency by reducing the use of water, chemicals and various waste streams, and we aim to increase the use of recycled materials, such as recycled steel in our technology offering.

Valmet strives to develop the transparency and traceability of its entire value chain, from the sourcing of raw materials to the recycling of its products. Valmet mainly purchases raw materials (metals, minerals and polymers), metal-based components, energy and services from 30,000 suppliers in nearly 60 countries.

Valmet works closely with its customers throughout its key processes – from product development to the commercialization of new solutions. Valmet has the financial strength to invest in innovation development and growth. In 2023, Valmet continued its R&D and innovation program, called Beyond Circularity, which improves Valmet's readiness to support the green transition in Valmet's customer industries based on the Company's technology vision 2030. The program aims to further strengthen Valmet's R&D work to develop process technologies, automation and services for utilizing renewable materials and recycled waste and side streams. The program also allows Valmet to further improve the energy efficiency of its process technologies and enables a shift to the use of fossil-free energy in its pulp and paper industry customers' production processes.

In addition to value for its owners, Valmet creates economic and social value as an employer, taxpayer and customer for its suppliers. Valmet provides employment and business opportunities to a wide range of stakeholders and indirectly builds wealth in local societies.

Sustainability, including climate-related matters, is at the core of Valmet's business strategy, operations, and value creation. Sustainability is integrated into our strategy and main processes through Valmet's comprehensive Sustainability360° Agenda, which covers Valmet's entire value chain including the supply chain, Valmet's own operations and the use phase of Valmet's technologies.

One main material topic in Valmet's Sustainability360° Agenda is our Climate Program, which supports the Paris Climate Agreement's 1.5-degree pathway and the United Nations Sustainable Development Goals. Our Climate Program's CO_2 emissions reduction targets have been approved by the Science Based Targets initiative.

Materiality and management

Valmet's Sustainability360° Agenda covers the most material sustainability topics for Valmet. Valmet's material topics are grouped around three focus areas: Environment; Social; and Governance. Each focus area has three main material topics with concrete targets and action plans integrated into the Company's annual planning process as a part of the strategy implementation. Valmet's Sustainability360° Agenda, its related targets and all supporting policies are owned, driven and monitored by Valmet's Executive Team.

Valmet's Climate Program steering team drives and follows the progress of the program toward the targets providing status updates and guidance on implementation quarterly. The progress of Valmet's Climate Program is also monitored by the Executive Team.

All Valmet's corporate functions, business lines and areas are responsible for ensuring that Group-wide initiatives are implemented to meet Valmet's sustainability goals. Valmet has tied selected sustainability topics such as health, safety and quality, as well as sustainable supply chain KPIs, to remuneration. Valmet's Board of Directors has also linked ESG targets to Valmet's Executive Team's long-term share-based incentive plan. The potential reward for the 2022–2024 performance period is based on an ESG Index with predefined targets linked to implementing Valmet's Climate Program and Sustainability Agenda.

Valmet has a systematic company-wide risk management process for regularly assessing the probability and impact of risks and opportunities, in which sustainability, including climate-related matters, is integrated. Valmet has several Group-wide policies to mitigate these risks and promote opportunities. The basis of Valmet's operations is its Code of Conduct, which creates a uniform ethical foundation for all our business transactions and work assignments globally. It also describes our approach to sustainable business operations, people and society, and environmental issues. Valmet strives for globally consistent and transparent management practices to ensure all its stakeholders can reliably assess the Company's operations and development.

Valmet has a global supplier sustainability management process which is fully integrated into its supply chain processes to assess potential risks related to human and labor rights, ethical business practices, climate and environmental management, and health and safety. All Valmet's suppliers are assessed for sustainability risks and are required to commit to the minimum requirements set by Valmet's Sustainable Supply Chain Policy. Compliance is assessed through self-assessments and audits.

Valmet's global management system (GMS) supports an efficient process-oriented way of working toward the satisfaction of customer and other stakeholder expectations. Valmet's global management system provides a common platform for quality and HSE management in all operations. Our main operations are certified in accordance with the ISO 14001:2015 (environmental), ISO 45001:2018 (health and safety) and ISO 9001: 2015 (quality) management standards.

Material topics

Valmet has integrated environmental, social and employee, respect for human rights, and anti-corruption and bribery related sustainability topics into Valmet's Sustainability360° Agenda.

Environmental and climate-related matters

Valmet has estimated that around 4 percent of its environmental impact arises from its supply chain, and around 1 percent from its own operations. Most of Valmet's value chain's environmental impact, i.e., 95 percent, originates in the customer use of its technologies.

Valmet is actively developing its offering and its new products and services to reduce CO_2 emissions, water, chemical and raw material consumption and waste, while increasing energy efficiency. Valmet monitors the demand for environmentally efficient and carbon-neutral technologies and aims to maintain the orders received from new products and services above 25 percent of total orders received annually.

Valmet has also set climate-related targets across the value chain as part of its Climate Program. Today, Valmet already provides bioenergy self-sufficient chemical pulp mills and enables carbon-neutral production for pulp, paper, heat, and power customers with access to fossil-free energy sources with our current process technologies and biomass-based energy solution offering. By 2030, Valmet's target is to improve the energy efficiency of our current offering by 20 percent and developing technologies that do not depend on the energy source. Valmet also targets a reduction of 20 percent in CO_2 emissions in its supply chain and 80 percent in its own operations by 2030. As part of its own operations' environmental program, Valmet has also defined targets for reducing energy and water consumption and for increasing the share of recycled or reused waste.

Valmet has a comprehensive climate-related e-learning course, available for its employees and suppliers.

Valmet has a stand-alone budget and action plan to improve environmental efficiency at its production facilities. The Company also continuously develops the resource and energy efficiency of its technology and solutions, based on R&D action plans and through the Beyond Circularity program.

Social and employment-related matters

Valmet has more than 19,000 employees in over 40 countries around the world. Valmet values active dialogue and teamwork as an important part of its success and emphasizes respectful behavior and a safe, healthy and well-managed working environment in all locations. The Company sets clear expectations for managers and employees through its senior manager, manager and employee role descriptions, which focus on driving performance, building engagement, supporting development, and living the Company's values. As an employer, Valmet is committed to promoting equal opportunities for everyone and respecting its employees' right to freedom of association and collective bargaining.

Valmet strives to protect the health, safety and wellbeing of its own people and partners. We invest in a positive safety culture collaborating with customers and partners and constantly improving our processes and practices toward our common goal of zero harm.

Valmet participates in public discussions of its operating environment and regulations. Valmet builds trust and reputation by operating both sustainably and profitably.

Respect for human rights

As a global process technology, automation and services supplier, Valmet operates in a very multicultural environment. Valmet recognizes its responsibility to respect human rights and requires its business partners to do the same.

Valmet is committed to international frameworks related to human rights, such as the UN Guiding Principles on Business and Human Rights. Valmet's commitment to respect human rights is laid out in its Human Rights Statement.

Valmet has a comprehensive due diligence process to monitor and manage human rights in its own operations and supply chain. Valmet has integrated human rights into company policies and related processes to ensure human rights are respected and promoted in all our operations. Valmet conducts human rights impact assessments in high-risk locations and provides human rights training to its employees through an e-learning course that is globally available to all Valmeteers.

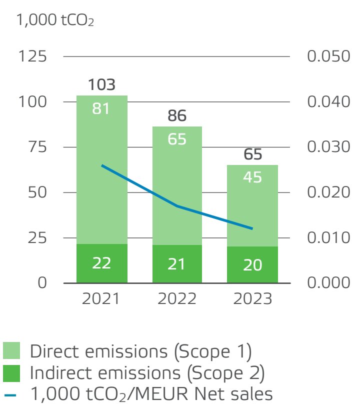
Anti-corruption and bribery

Valmet's Code of Conduct requires Valmet and its employees to act with honesty and integrity. It sets Valmet's commitment of zero tolerance for corruption and bribery. It also defines Valmet's expectation that all its business partners fully comply with applicable anti-bribery laws and regulations. Valmet's Code of Conduct is complemented by Valmet's Sustainable Supply Chain Policy, which also sets Valmet's requirements for its suppliers regarding business ethics and legal compliance, including refusing to participate in any form of corruption, bribery or money laundering. Valmet also has a global Anti-Corruption Policy and other internal policies and guidelines containing the rules, which ensure Valmet's business or employees are not involved in any form of corruption or bribery.

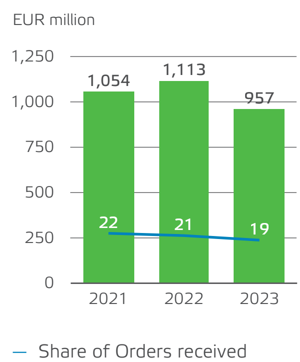
Valmet has a Code of Conduct and Anti-bribery Compliance e-learning course for employees. Valmet also arranges regular training for targeted groups on the Code of Conduct, anti-corruption, and other ethics and compliance topics to enforce the principles and rules set by the related policies and guidelines.

Non-financial indicators

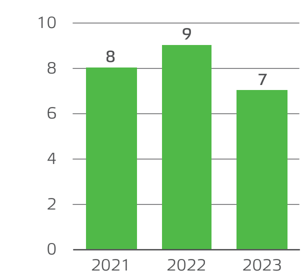
CO_2 emissions from energy consumption in own operations[1]



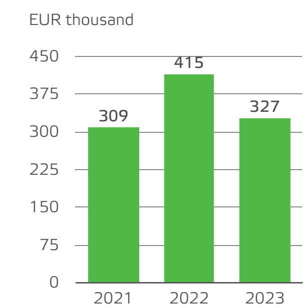
Orders received from new products and services[2]



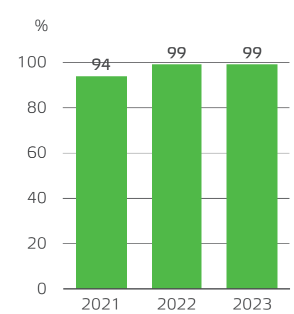
Number of corporate internal audits performed



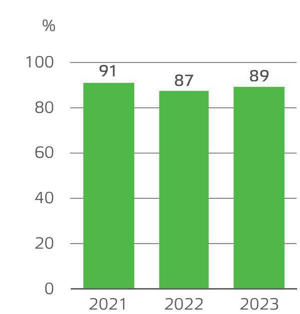
Sponsorships and donations



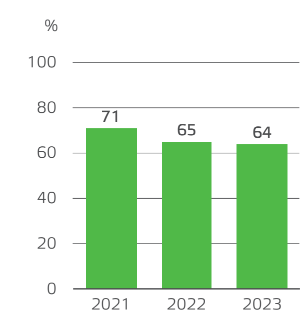
New suppliers screened over sustainability[3]



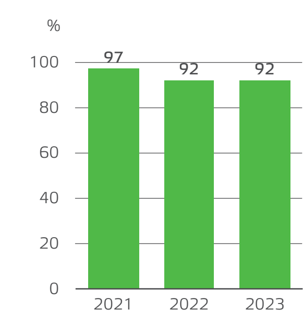
Employees completed Valmet's Code of Conduct training[4]



Employees covered by collective bargaining agreements



Workforce represented in formal management-worker health and safety committees



[1] Direct emissions (Scope 1) from used fuels and indirect emissions (Scope 2, market based) from purchased electricity, district heat and steam in Valmet's own operations. Please read GRI Supplement 2023 for the CO_2 emission factors used. Newly acquired Tissue Converting business unit excluded from the reported figure.
[2] Valmet's new products and services reduce CO_2 emissions, water and raw material consumption, and waste, while increasing energy efficiency. Valmet monitors the market demand for more environmentally efficient technologies by monitoring the share of orders received from new products and services. Valmet's target in 2023 was that at least 25 percent of orders received should come from new products and services.
[3] Supplier data from the 2023 acquisitions is not included in the reported figure.
[4] All active employees, including blue-collar workers, trained in the Code of Conduct. External workforce and employees from newly acquired Tissue Converting business unit excluded from the reported figure.

Breakdown of employees by contract type, employment type, region and gender

Number of employees by employment contract and gender[1]

	Female		Male		Total	
	2023	2022	2023	2022	2023	2022
Permanent	**3,462**	3,185	**13,799**	12,595	**17,263**	15,781
Temporary	**562**	508	**1,334**	1,259	**1,897**	1,767
Total	**4,024**	3,693	**15,133**	13,854	**19,160**	17,548

Number of permanent employees by employment type and gender[1]

	Female		Male		Total	
	2023	2022	2023	2022	2023	2022
Full-time	**3,321**	3,066	**13,614**	12,441	**16,937**	15,508
Part-time	**141**	119	**185**	154	**326**	273
Total	**3,462**	3,185	**13,799**	12,595	**17,263**	15,781

Workforce by geography and gender[1]

	Female		Male		Total	
	2023	2022	2023	2022	2023	2022
North America	**405**	338	**1,866**	1,701	**2,273**	2,040
South America	**232**	163	**932**	670	**1,164**	833
EMEA	**2,595**	2,443	**9,048**	8,344	**11,644**	10,787
China	**575**	551	**1,857**	1,772	**2,432**	2,323
Asia-Pacific	**217**	198	**1,430**	1,367	**1,647**	1,565
Total	**4,024**	3,693	**15,133**	13,854	**19,160**	17,548

Workforce by region and employee contract

	Regular 2023	Fixed term 2023	Total 2023
North America	**2,267**	**6**	**2,273**
South America	**1,091**	**73**	**1,164**
EMEA	**10,846**	**798**	**11,644**
China	**1,437**	**995**	**2,432**
Asia-Pacific	**1,622**	**25**	**1,647**
Total	**17,263**	**1,897**	**19,160**

Lost time incident frequency, total recordable incident frequency, number of fatalities and absentee rate, own personnel

	2023	2022
LTIF[2]	**1.5**	1.6
TRIF[3]	**3.0**	3.2
Fatalities	**0**	0
Absentee rate	**2.7%**	2.9%

Lost time incident frequency, total recordable incident frequency and number of fatalities, external workers

	2023	2022
LTIF[2]	**1.9**	2.3
TRIF[3]	**4.6**	4.7
Fatalities	**0**	2

[1] The gender category includes the options Female, Male and Not Declared. In 2023, the number of individuals in the Not Declared category was too small enough to be included in a separate column.

[2] LTIF reflects the number of injuries resulting in an absence of at least one workday per million hours worked.

[3] LTIF + medical treatment and restricted work cases.

Valmet's management approach to non-financial impacts

	ENVIRONMENTAL AND CLIMATE-RELATED MATTERS	SOCIAL AND EMPLOYMENT-RELATED MATTERS
Policies and standards	**International frameworks and Valmet's policies covering all topics:** • UN Global Compact • UN Sustainable Development Goals • United Nations Universal Declaration of Human Rights • UN Guiding Principles on Business and Human Rights • Declaration on Fundamental Principles and Rights at Work of the International Labour Organization (ILO) • OECD's Guidelines for Multinational Enterprises	
	• Health, Safety and Environment (HSE) Policy: Defines Valmet's approach to managing HSE performance in its own operations and in customer industries • Instructions for sustainable and responsible research, product development, and design: support the implementation of Valmet's HSE policy • Guidance on hazardous substances and restricted materials: Describes the management approach and provides instructions for compliance with regulatory requirements regarding the prohibition and reporting of materials found in Valmet's products	• Health, Safety and Environment (HSE) Policy: Defines Valmet's approach to managing HSE performance in its own operations and in customer industries • Human Resources Policy: Framework for the management of the human resources function, which is committed to developing an engaged and performance-driven community and continuously driving the global development of Valmet employees' capabilities • Equal Opportunity and Diversity Policy: Defines Valmet's approach to promoting equal opportunities for all employees • Non-Discrimination and Anti-Harassment Policy: Outlines the measures Valmet takes to ensure a respectful and inclusive workplace free from discrimination and harassment • Minimum Safety Standards and Life Saving Rules: Defines minimum requirements for safety at work for specific high-risk activities and critical safety rules
Due diligence processes	• The HSE event reporting and management system is used to monitor and prevent HSE-related incidents and hazards • Compliance with HSE-related laws and regulations is ensured by complying with Valmet's related processes • Internal and external audits executed globally to evaluate compliance with internal, legal and other HSE requirements and to correct non-conformities	• The HSE event reporting and management system is used to monitor and prevent HSE-related incidents and hazards • Compliance with laws and regulations is ensured by complying with Valmet's related processes • Internal and external audits executed globally to evaluate compliance with internal, legal and other HSE requirements, and to correct non-conformities
Risks and risk management	Risks: • Non-compliance with environmental regulations may result in fines, creating reputational and business risks • Climate-related regulation may impact Valmet's technologies, its customers' operations and business environments • Climate-related physical risks: extreme weather events and variability in weather patterns, water shortages and scarcity of raw materials may cause production interruptions throughout Valmet's value chain • Risks related to Valmet's suppliers may create significant reputational or business risks Risk management: • ISO 14001:2015 environmental management systems in all operations • Risk management of environmental and climate-related matters is integrated into all activities to ensure proactive risk identification and mitigation • Climate scenario analysis to support strategy and risk management • Global supplier sustainability management process, including risk assessments and audits	Risks: • Valmet's own employees' and partners' health and safety risks are related to work-related injuries and illnesses, and work-life integration • Non-compliance with occupational health and safety regulations may result in fines, creating reputational and business risks • Retention and engagement of key employees and a slowing down of the resourcing process due to the hot labor market and talent shortage • Risks related to Valmet's suppliers may create significant reputational or business risks Risk management: • ISO 45001:2018 health and safety management systems in all operations • HSE event management system • HSE committees covering all personnel • Development of global training portfolio and ensuring necessary competence is in place across regions • Development of engagement and retention through employee survey action execution • Debottlenecking of resourcing process • Global supplier sustainability management process, including risk assessments and audits
Outcomes of policies and due diligence processes	• New products and services that meet environmental requirements and help customers produce sustainable products which require less water and energy and fewer raw materials, enable the use of renewable resources producing less waste and lower emissions • Supplier sustainability audits and corrective actions in accordance with Valmet's global supplier sustainability management process • CO_2 reduction and other environmental targets for renewable energy, energy efficiency, water consumption and waste management • Climate training, including e-learning	• Healthy and safe workplaces for Valmet's own employees and partners • Operations free of life-changing incidents, reduction in overall incident frequencies • Training programs developed to enhance skills • Supplier sustainability audits and corrective actions in accordance with Valmet's global supplier sustainability management process

	RESPECT FOR HUMAN RIGHTS	ANTI-CORRUPTION AND BRIBERY
Policies and standards	**International frameworks and Valmet's policies covering all topics:** • Valmet's Code of Conduct • Valmet's Human Rights Statement • Valmet's Sustainable Supply Chain Policy • ISO 9001:2015 Quality management system • ISO 14001:2015 Environmental management system • ISO 45001:2018 Occupational health and safety management system	
	• Equal Opportunity and Diversity Policy: Defines Valmet's approach to promoting equal opportunities for all employees • Non-Discrimination and Anti-Harassment Policy: Defines Valmet's zero tolerance of discrimination or harassment in any form	• Anti-Corruption Policy: Defines Valmet's zero-tolerance approach to bribery and corruption in more detail • Compliance reporting guideline: Defines how Valmet employees can voice their concerns about potential violations of the Code of Conduct, Anti-Corruption Policy, unethical behavior and other misconduct • Approval guideline for Agency agreements and Agent approval process: Describes Valmet's due diligence process and requirements for agent approval
Due diligence processes	• Valmet's human rights due diligence process is based on the UN Guiding Principles for Business and Human Rights and OECD Guidelines for Multinational Enterprises and includes location-level human rights impact assessments, a supplier sustainability management process and other sustainability impact assessments	• Risk management evaluation helps Valmet find the best ways to manage risks and train the unit's personnel to use existing tools and procedures • Internal audits executed globally to evaluate compliance with anti-corruption and bribery-related rules and to implement necessary corrective actions • Global supplier sustainability management process to evaluate compliance and correct non-conformities
Risks and risk management	Risks: • Potential violations of human rights may impact Valmet's reputation and thus its financial position Risk management: • Valmet's human rights due diligence framework for identifying and mitigating potential negative human rights impacts and risks • Global supplier sustainability management process, including risk assessments and audits	Risks: • Unethical business practices may impact Valmet's reputation and thus its financial position Risk management: • Internal risk management audits • Anti-Corruption Policy works as a tool to set the tone for preventive misconduct and mitigate potential risks • Global supplier sustainability management process, including risk assessments and audits
Outcomes of policies and due diligence processes	• Reporting system in place for violations of Code of Conduct • Continuous human rights training to increase awareness of potential negative impacts • External 3rd-party location-level human rights impact assessments and improvement actions, in accordance with Valmet's human rights due diligence process • External 3rd-party supplier sustainability audits and corrective actions in accordance with Valmet's global supplier sustainability management process	• Reporting system in place for violations of Code of Conduct, including anti-corruption and bribery and other misconduct • Anti-corruption and bribery training, including an e-learning course • External 3rd-party supplier sustainability audits and corrective actions in accordance with Valmet's global supplier sustainability management process

EU taxonomy for sustainable finance

The European Union Sustainable Finance Taxonomy Regulation 2020/852 (the EU taxonomy) requires large companies subject to the Non-Financial Reporting Directive (NFRD) to disclose the extent to which their economic activities have a substantial positive environmental impact. The EU taxonomy is intended to encourage financial markets to invest and finance more sustainably. It sets the criteria for activities that the EU has classified as environmentally sustainable. The activities described in the taxonomy are referred to as eligible activities. Eligible activities that also meet set criteria of (1) a substantial contribution to one of the six environmental objectives, (2) do no significant harm to the remaining five environmental objectives, and (3) meet minimum safeguards are referred to as taxonomy-aligned activities. Only with the cumulative fulfillment of all three requirements is the economic activity taxonomy-aligned.

The currently available criteria allow companies to demonstrate their contribution to the following environmental objectives: *Climate change mitigation; Climate change adaptation; Sustainable use and protection of water and marine resources; Transition to a circular economy; Pollution prevention and control;* and *Protection and restoration of biodiversity*.

Eligibility and alignment assessment

Valmet has reviewed its offering against the Taxonomy activities to assess eligibility based on the eligible economic activities listed in the Climate and Environmental Delegated Acts and related Annexes. Valmet has also taken into consideration the amendments to the Climate Delegated Act.

Valmet's economic activities contribute substantially to the objectives of *Climate change mitigation* and *Transition to a circular economy*. Valmet reports eligibility and alignment for the *Climate change mitigation* objective in accordance with the Taxonomy Regulation. For the *Transition to a circular economy* objective, the requirement is to report eligibility, but not alignment, in accordance with the Taxonomy Regulation in 2023.

In 2023, Valmet's approach to identifying and reporting sustainable economic activities consisted of:

1. Eligibility assessment: Mapping of economic activities to taxonomy activity descriptions and NACE codes.
2. Substantial contribution assessment: Screening of activities against technical screening criteria.
3. Do no significant harm (DNSH) assessment: Screening of Valmet's procedures to ensure that our operations do not cause significant harm to relevant environmental objectives.
4. Minimum safeguards assessment: A review of Valmet's corporate safeguards to ensure that our operating instructions, company policies, and management system are compliant with the OECD Guidelines for Multinational Enterprises (OECD), the UN Guiding Principles on Business and Human Rights (UNGP) and the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work. The minimum safeguards assessment covers the following social and governance aspects: human and labour rights; taxation; corruption and bribery; and fair competition.

As a result of the 2023 assessment, the following economic activities in the taxonomy were identified where Valmet has taxonomy-eligible activities:

- CCM 3.1 Manufacture of renewable energy technologies
- CCM 3.6 Manufacture of other low-carbon technologies
- CE 4.1 Provision of IT/OT data-driven solutions
- CE 5.1 Repair, refurbishment and remanufacturing

According to the taxonomy, the Circular economy is a system in which the value of products, materials and other resources in the economy are maintained for as long as possible. When defining its activities under 5.1 Repair, refurbishment and remanufacturing, Valmet has considered and reports its services and solutions that target the extension of the lifecycle of machinery and equipment. Valmet provides services, automation and technologies for the pulp, paper and energy industries, and offers paper machine modernization solutions and maintenance services that cover the entire machine life cycle. Valmet's solutions include rebuilds, upgrades, conversions, and maintenance services for various types of paper machines and industrial processes, such as renewable energy plants.

Paper machine modernization and single section business are the process of upgrading and improving the performance and extending the lifetime of papermaking machines and equipment. It can involve replacing old or obsolete parts, installing new technologies, optimizing process parameters, and enhancing quality and efficiency. The paper machine modernization business can help paper manufacturers increase productivity, while improving product quality, extending lifetime and meeting environmental standards. Although spare parts, performance parts and consumables play a key role in keeping machinery and equipment functional, they were excluded in the analysis, which was conducted conservatively, based on the argument that it might be difficult to prove their substantial contribution to exclusively extending the lifetime of equipment.

Key performance indicators

Valmet has made some estimations in the calculation of the key performance indicators (KPIs), net sales[1], capital expenditure (CapEx), and operating expenditure (OpEx), due to our interpretation of the Taxonomy Regulation. Double counting has been avoided by classifying external revenue streams into taxonomy-eligible economic activities only once. The shares of eligible and aligned net sales have been used as a key for calculating eligible and aligned OpEx and CapEx. Intangible and tangible assets as well as right-of-use assets acquired in business combinations were not included in the calculation of eligible and aligned CapEx based on net sales key.

Taxonomy net sales[2] are calculated according to the EU Taxonomy definition of turnover and in line with IFRS 15, and are included in

Valmet's total net sales presented in Valmet's consolidated financial statements. It includes the external sales of taxonomy eligible activities. Net sales have been calculated separately in each business line for eligible and aligned activities.

Taxonomy CapEx[3] is presented and measured in line with the CapEx presented in the Group's financial statements. It consists of additions to property, plant and equipment, and intangible assets as well as investments in right-of-use assets. Total CapEx also covers additions to tangible and intangible assets as well as right-of-use assets resulting from business combinations. Additions to goodwill are not included in CapEx.

The Taxonomy Regulation's definition of OpEx consists of expenses related directly to the maintenance and servicing of assets, including facility improvements and research and development projects supporting the transition to a low-carbon economy. Valmet has applied a conservative interpretation of the Taxonomy OpEx definition. Raw materials, and salaries of employees performing repairs, maintenance and services of eligible fixed assets, are excluded.

The following tables present Valmet's 2023 Taxonomy KPIs associated with Valmet's taxonomy-eligible economic activities:

[1] Valmet uses the term net sales in its financial statements, while the EU Taxonomy Regulation refers to the term Turnover.
[2] Consolidated financial statements, note 3. Revenue recognition.
[3] Consolidated financial statements, note 4. Intangible assets and property, plant and equipment and note 5. Leases.

Turnover[4]	2023			Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic activities	Code	Turnover (EUR million)	Proportion of turnover 2023	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Minimum safeguards	Proportion of taxonomy-aligned (A.1.) or -eligible (A.2.) turnover, 2022	Category enabling activity	Category transitional activity
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (taxonomy-aligned)																			
Manufacture of renewable energy technologies	CCM 3.1	291	5.3%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	4.2%	E	
Manufacture of other low carbon technologies	CCM 3.6	3	—%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y		E	
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		294	5.3%	5.3%	—%	—%	—%	—%	—%	Y	Y	Y	Y	Y	Y	Y	4.2%		
Of which Enabling		294	5.3%	5.3%	—%	—%	—%	—%	—%	Y	Y	Y	Y	Y	Y	Y	4.2%	E	
Of which Transitional		0	—%	—%													0.0%		T
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Manufacture of renewable energy technologies	CCM 3.1	103	1.9%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.2%		
Manufacture of other low carbon technologies	CCM 3.6	17	0.3%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.2%		
Provision of IT/OT data-driven solutions	CE 4.1	16	0.3%	N/EL	N/EL	N/EL	N/EL	EL	N/EL										
Repair, refurbishment and remanufacturing	CE 5.1	1,291	23.3%	N/EL	N/EL	N/EL	N/EL	EL	N/EL										
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		1,427	25.8%	2.2%	—%	—%	—%	23.6%	—%								0.5%		
A. Turnover of Taxonomy-eligible activities (A.1 + A.2)		1,721	31.1%	7.5%	—%	—%	—%	23.6%	—%								4.7%		

B. TAXONOMY-NON-ELIGIBLE ACTIVITIES		
Turnover of taxonomy-non-eligible activities	3,811	68.9%

TOTAL	5,532	100%

For the Transition to a circular economy objective, the requirement is to report eligibility, but not alignment, in accordance with the Taxonomy Regulation in 2023. Therefore, Valmet has not reported the alignment figures for the Transition to a circular economy objective.

[4] Net Sales is used in other parts of Valmet's financial statements, while the EU Taxonomy Regulation uses the term Turnover.

CapEx	2023			Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic activities	Code	CapEx (EUR millions)	Proportion of CapEx, 2023	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular Economy	Biodiversity	Minimum safeguards	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) CapEx, 2022	Category enabling activity	Category transitional activity
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Manufacture of renewable energy technologies	CCM 3.1	3	0.6%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	2.1%	E	
Manufacture of other low carbon technologies	CCM 3.6	0	—%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y		E	
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		3	0.6%	0.6%	—%	—%	—%	—%	—%	Y	Y	Y	Y	Y	Y	Y	2.1%		
Of which Enabling		3	0.6%	0.6%	—%	—%	—%	—%	—%	Y	Y	Y	Y	Y	Y	Y	2.1%	E	
Of which Transitional		0	—%	—%													—%		T
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Manufacture of renewable energy technologies	CCM 3.1	1	0.2%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.1%		
Manufacture of other low-carbon technologies	CCM 3.6	0	—%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.1%		
Provision of IT/OT data driven solutions	CE 4.1	1	0.1%	N/EL	N/EL	N/EL	N/EL	EL	N/EL										
Repair, refurbishment and remanufacturing	CE 5.1	45	10.6%	N/EL	N/EL	N/EL	N/EL	EL	N/EL										
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		46	11.0%	0.2%	—%	—%	—%	10.7%	—%								0.2%		
A. CapEx of Taxonomy eligible activities (A.1 + A.2)		49	11.6%	0.9%	—%	—%	—%	10.7%	—%								2.4%		

B. TAXONOMY-NON-ELIGIBLE ACTIVITIES		
CapEx of Taxonomy-non-eligible activities	373	88.4%

TOTAL	422	100%

For the Transition to a circular economy objective, the requirement is to report eligibility, but not alignment, in accordance with the Taxonomy Regulation in 2023. Therefore, Valmet has not reported the alignment figures for the Transition to a circular economy objective.

OpEx	2023			Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic activities	Code	OpEx (EUR millions)	Proportion of OpEx, 2023	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Minimum safeguards	Proportion of Taxonomy-aligned (A.1) or eligible (A.2) OpEx, 2022	Category enabling activity	Category transitional activity
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Manufacture of renewable energy technologies	CCM 3.1	2	0.7%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	2.0%	E	
Manufacture of other low carbon technologies	CCM 3.6	0	0.1%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y		E	
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		2	0.9%	0.9%	—%	—%	—%	—%	—%	Y	Y	Y	Y	Y	Y	Y	2.0%		
Of which Enabling		2	0.9%	0.9%	—%	—%	—%	—%	—%	Y	Y	Y	Y	Y	Y	Y	2.0%	E	
Of which Transitional		0	—%	—%													—%		T
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Manufacture of renewable energy technologies	CCM 3.1	5	2.3%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.1%		
Manufacture of other low-carbon technologies	CCM 3.6	0	0.1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								—%		
Provision of IT/OT data driven solutions	CE 4.1	0	0.1%	N/EL	N/EL	N/EL	N/EL	EL	N/EL										
Repair, refurbishment and remanufacturing	CE 5.1	54	23.4%	N/EL	N/EL	N/EL	N/EL	EL	N/EL										
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		59	26.0%	2.5%	—%	—%	—%	23.5%	—%								0.2%		
A. OpEx Taxonomy eligible activities (A.1 + A.2)		61	26.9%	3.4%	—%	—%	—%	23.5%	—%								2.2%		

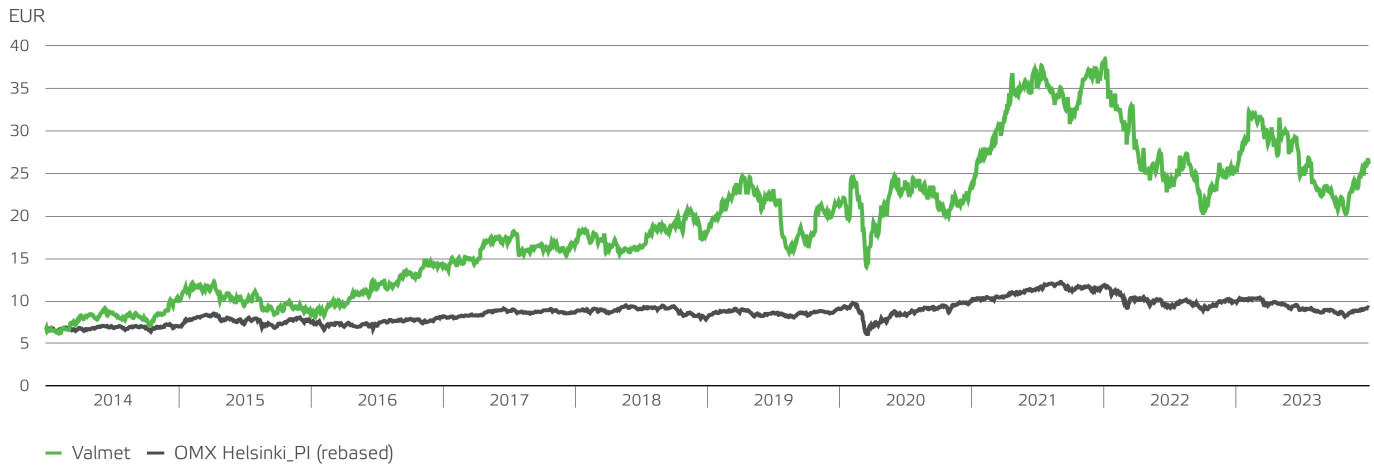
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES		
OpEx of Taxonomy-non-eligible activities	168	73.1%

TOTAL	229	100%

For the Transition to a circular economy objective, the requirement is to report eligibility, but not alignment, in accordance with the Taxonomy Regulation in 2023. Therefore, Valmet has not reported the alignment figures for the Transition to a circular economy objective.
Tables are based on the templates for KPIs presented in Annex 5 of the Commission Delegated Regulation (EU) 2020/852.

Shares and shareholders

Development of Valmet's share price since listing, January 2, 2014–December 31, 2023



Share capital and share data[1]

	2023	2022	2021
Share capital, December 31, EUR million	**140**	140	100
Number of shares, December 31:			
Number of outstanding shares	**184,161,105**	184,184,830	149,471,196
Treasury shares held by the Parent Company	**368,500**	344,775	393,423
Total number of shares	**184,529,605**	184,529,605	149,864,619
Average number of outstanding shares	**184,151,827**	175,617,981	149,467,939
Average number of diluted outstanding shares	**184,151,827**	175,617,981	149,467,939
Trading volume on Nasdaq Helsinki Ltd.[2]	**103,147,588**	125,393,868	97,242,422
% of total shares for public trading	**56**	68	65
Earnings per share, EUR	**1.94**	1.92	1.98
Earnings per share, diluted, EUR	**1.94**	1.92	1.98
Adjusted earnings per share, EUR	**2.28**	2.37	2.09
Dividend per share, EUR	**1.35**[3]	1.30	1.20
Dividend, EUR million	**249**[3]	239	179
Dividend payout ratio	**70%**[3]	68%	61%
Effective dividend yield	**5.2%**[3]	5.2%	3.2%
Price to earnings ratio (P/E)	**13.5**	13.1	19.1
Equity per share, EUR	**13.93**	13.54	8.87
Highest share price, EUR	**32.99**	38.59	38.53
Lowest share price, EUR	**19.64**	19.95	23.02
Volume-weighted average share price, EUR	**26.35**	26.90	32.58
Share price, December 31, EUR	**26.11**	25.16	37.72
Market capitalization, December 31, EUR million	**4,818**	4,643	5,653

[1] The formulas for calculation of the figures are presented in the section 'Formulas for Calculation of Indicators´.

[2] In addition to Nasdaq Helsinki Ltd, Valmet's shares are also traded on other marketplaces, such as CBOE DXE, Turquoise, BATS, Chi-X and Frankfurt. A total of approximately 50 million Valmet shares were traded on these five alternative marketplaces in 2023. (Source: www.valmet.com/investors/valmet-share/trading-volumes/).

[3] Board of Directors' proposal.

Largest shareholders on December 31, 2023

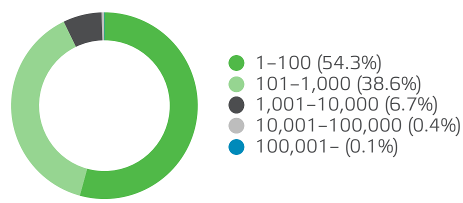
	Shares	% of share capital
1 Solidium Oy	18,640,665	10.10%
2 Oras Invest Ltd	16,700,000	9.05%
3 Varma Mutual Pension Insurance Company	7,795,983	4.22%
4 Ilmarinen Mutual Pension Insurance Company	5,738,366	3.11%
5 Elo Mutual Pension Insurance Company	2,711,000	1.47%
6 Finnish State Pension Fund	2,400,000	1.30%
7 OP Finland	1,039,946	0.56%
8 Evli Finland Select Fund	743,261	0.40%
9 Finnish Cultural Foundation	720,684	0.39%
10 Sigrid Jusélius Foundation	716,954	0.39%
11 Samfundet folkhälsan i Svenska Finland rf	661,923	0.36%
12 Aktia Capital Mutual Fund	659,080	0.36%
13 Nordea Pro Finland Fund	594,792	0.32%
14 Danske Invest Finnish Equity Fund	574,836	0.31%
15 FIM Fenno Mutual Fund	544,023	0.29%

Source: Euroclear Finland.

Distribution of shareholding by sector, %

On December 31, 2023. Source: Euroclear.

Distribution of shareholders by number of shares held, %



On December 31, 2023. Source: Euroclear.

Number of shareholders

The number of registered shareholders at the end of year 2023 was 100,752 (89,056).

Shareholdings of the Board of Directors in Valmet Oyj on December 31, 2023

		Shares
Mäkinen, Mikael	Chair of the Board	9,364
Eskola, Jaakko	Vice Chair of the Board	3,472
Cantell, Aaro	Member of the Board	9,247
Hämäläinen, Anu	Member of the Board	3,078
Kemppainen, Pekka	Member of the Board	5,417
Lindberg, Per	Member of the Board	2,473
Maurer, Monika	Member of the Board	5,417
Söderström, Eriikka	Member of the Board	6,547
Total		**45,015**
% of outstanding shares		**0.02%**

Shareholdings of the Executive Team in Valmet Oyj on December 31, 2023

		Shares
Laine, Pasi	President and CEO	185,946
Hokkanen, Katri	CFO	7,145
Kokko, Tero	Area President, EMEA	2,608
Macharey, Julia	SVP, Human Resources and Operational Development	41,110
Niemi, Aki	Business Line President, Services	65,762
Paukkunen, Petri	Area President, Asia Pacific	11,658
Rasinmäki, Petri	Business Line President, Paper	1,717
Riekkola, Sami	Business Line President, Pulp and Energy	19,105
Salonsaari-Posti, Anu	SVP, Marketing, Communications, Sustainability and Corporate Relations	33,693
Sääskilahti, Simo	Business Line President, Flow Control	4,401
Tacla, Celso	Area President, South America	97,742
Tiitinen, Jukka	Area President, North America	96,822
Torttila-Miettinen, Emilia	Business Line President, Automation Systems	734
Zhu, Xiangdong	Area President, China	33,607
Total		**602,050**
% of outstanding shares		**0.33%**

Flagging notifications

During the review period, Valmet received one flagging notification referred to in the Securities Market Act:

			% of shares and voting rights		
Transaction date	**Shareholder**	**Threshold**	**Direct**	**Through financial instruments**	**Total, %**
December 27, 2023	The Goldman Sachs Group, Inc.	Above 5%	0.05%	6.66%	6.71%

Trading of shares

Trading of Valmet shares on Nasdaq Helsinki	2023	2022
Number of shares traded	**103,147,588**	125,393,868
Total value, EUR million	**2,718**	3,369
High, EUR	**32.99**	38.59
Low, EUR	**19.64**	19.95
Volume-weighted average price, EUR	**26.35**	26.90
Closing price on the final day of trading, EUR	**26.11**	25.16

The closing price of Valmet's share on the final day of trading for the reporting period, December 29, 2023, was EUR 26.11, i.e., 4 percent higher than the closing price on the last day of trading in 2022 (EUR 25.16 on December 30, 2022).

In addition to Nasdaq Helsinki Ltd, Valmet's shares are also traded on other marketplaces, such as CBOE DXE, Turquoise, BATS, Chi-X and Frankfurt. A total of approximately 50 million Valmet shares were traded on these five alternative marketplaces in 2023 (Source: www.valmet.com/investors/valmet-share/trading-volumes/).

Board authorizations regarding shares

Valmet Oyj's Annual General Meeting on March 22, 2023, authorized Valmet's Board of Directors to decide on the repurchase of a maximum number of 9,200,000 of the Company's own shares in one or several tranches. This corresponds to approximately 5.0 percent of all the shares in the Company. The Company's own shares may be repurchased otherwise than in proportion to the shareholdings of the shareholders (directed repurchase). The Company's own shares may be repurchased using the unrestricted equity of the Company at a price formed on a regulated market on the official list of Nasdaq Helsinki Ltd on the date of the repurchase or at a price otherwise formed on the market.

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

Valmet Oyj's Annual General Meeting 2023 also authorized Valmet's Board of Directors to decide on the issuance of shares as well as the issuance of special rights entitling to shares in one or several tranches. The issuance of shares may be carried out by offering new shares or by transferring treasury shares held by Valmet Oyj. Based on this authorization, the Board of Directors may also decide on a directed share issue in deviation from the shareholders' pre-emptive rights and on the granting of special rights subject to the conditions mentioned in the Finnish Companies Act. Based on this authorization, a maximum number of 18,500,000 shares may be issued, which corresponds to approximately 10.0 percent of all the shares in Valmet. The new shares and treasury shares may be issued for consideration or without consideration.

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

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

Based on the authorization granted by the Annual General Meeting 2023, Valmet's Board of Directors decided on June 20, 2023, on a directed share issue related to the reward payment of Valmet's share-based long-term incentive plans for the performance period 2022. In the share issue on June 27, 2023, a total of 11,795 Valmet's treasury shares were conveyed without consideration to the participants of the plans, in accordance with the terms and conditions of the plans.

The Board of Directors decided in its meeting on December 20, 2023, to use the authorization granted by the Annual General Meeting 2023 to repurchase the Company's own shares. Based on the authorization, the Board decided to initiate a fixed-term share buy-back program for the purpose of acquiring the Company's own shares to meet part of the obligations arising from the LTI Plans and the Restricted Pool incentive. The share acquisitions will begin at the earliest on February 12, 2024, and will end at the latest on March 1, 2024. The maximum number of shares to be acquired is 100,000. The shares will be acquired at market price in public trading on Nasdaq Helsinki Ltd.

Share-based incentive plans

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

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

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

The Performance Share Plan is directed to the Executive Team members. The Performance Share Plans include 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 and management talents. It has 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 approximately 200 participants, of which approximately 150 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 is presented 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	10	14	12
Deferred Share Plan	102		125	
Total gross number of shares earned	Approximately 355,000 shares	Approximately 42,000 shares	Approximately 185,000 shares	Approximately 31,000 shares

	Long-term incentive plans 2023–2025		**Long-term incentive plans 2024–2026**	
Plan name	Performance Share Plan and Deferred Share Plan	Performance Share Plan	Deferred share plan	Performance Share Plan
Performance period	2023	2023–2025	2024	2024, 2024–2026
Incentive based on	Comparable EBITA as a percentage of net sales, and orders received growth of the stable business	Development of a valuation multiple of Valmet's share in comparison to peer group	Comparable EBITA as a percentage of net sales, and orders received growth of the stable business	Comparable EBITA as a percentage of net sales, and orders received growth of the stable business Development of a valuation multiple of Valmet's share in comparison to peer group
Reward payment	In spring 2024	In spring 2026	In spring 2025	In spring 2027
Participants				
Performance Share Plan	15	14		14
Deferred Share Plan	128		~200	
Total gross number of shares earned	As at December 31, 2023, a total of approximately 365,000 shares were allotted to participants.	As at December 31, 2023, approximately 48,000 shares were allotted to participants.	The rewards to be paid will correspond to a maximum total of approximately 683,000 Valmet shares.	

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

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

Based on the authorization granted by the Annual General Meeting 2023, Valmet's Board of Directors decided on June 20, 2023, on a directed share issue related to the reward payment of Valmet's share-based long-term incentive plans for the performance period 2022. In the share issue on June 27, 2023, a total of 11,795 Valmet's treasury shares were conveyed without consideration to the participants of the plans, in accordance with the terms and conditions of the plans.

The Board of Directors decided in its meeting on December 20, 2023, to use the authorization granted by the Annual General Meeting 2023 to repurchase the Company's own shares. Based on the authorization, the Board decided to initiate a fixed-term share buy-back program for the purpose of acquiring the Company's own shares to meet part of the obligations arising from the LTI Plans and the Restricted Pool incentive. The share acquisitions will begin at the earliest on February 12, 2024, and will end at the latest on March 1, 2024. The maximum number of shares to be acquired is 100,000. The shares will be acquired at market price in public trading on Nasdaq Helsinki Ltd.

At the end of the reporting period, the Company held 368,500 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 Oyj's Annual General Meeting

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

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

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

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

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

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. Although some of the claims are substantial, 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.

Risks and business uncertainties

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Management of project business risks important

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

Availability of financing crucial

Securing the continuity of Valmet's operations requires sufficient available funding under all circumstances. Valmet estimates that its liquid cash assets and committed credit limits are sufficient to secure its immediate liquidity and to ensure the flexibility of financing. The average maturity of Valmet's non-current debt, excluding lease liabilities, is 3.0 years. Loan facilities include customary covenants, and Valmet is in clear compliance with the covenants at the balance sheet date.

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

Of the financial risks that affect Valmet's profit, currency exchange rate risks and rising interest rates 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 and can impact interest rates as well. Valmet hedges its currency exposures linked to firm delivery and purchase agreements.

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

As at December 31, 2023, Valmet had EUR 1,735 million (EUR 1,611 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.

Valmet has a strong balance sheet and liquidity. In order to diversify and mitigate the financial credit risk, funds are held with several financially-sound banks. Valmet is carefully evaluating counterparty risk and selecting only counterparties with high creditworthiness. Valmet's project business is typically cash positive, as the customers pay us advance and progress payments. Around half of Valmet's business consists of services and automation, where single orders are small. Furthermore, Valmet has hundreds of customers around the globe, which gives us natural hedge.

Conflicts and geopolitical tensions

Russia's invasion of Ukraine causes significant risks and uncertainties to the markets affecting the entire global economic environment and financial markets. The conflict in the Middle East causes supply chain issues and increases transport prices. If the conflicts are further prolonged or geopolitical tensions further increase, there could be additional adverse impacts on Valmet's operations, customer investment activity, project deliveries, availability and prices of components, supply chain and availability of financing for both Valmet and its customers. Valmet monitors the situation and manages the Company's response to the impacts of the conflicts.

Events after the reporting period

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

Guidance for 2024

Valmet estimates that net sales in 2024 will remain at the previous year's level in comparison with 2023 (EUR 5,532 million) and Comparable EBITA in 2024 will remain at the previous year's level or increase in comparison with 2023 (EUR 619 million).

Market outlook

General economic outlook according to World Bank

Global growth is set to slow further in 2024, amid the effects of tight monetary policy, restrictive financial conditions, and feeble global trade and investment. World Bank's global growth forecast for 2024 is 2.4 percent. Downside risks to the outlook include an escalation of the conflict in the Middle East and associated commodity market disruptions, financial stress amid elevated debt and high borrowing costs, persistent inflation, weaker-than-expected activity in China, and climate-related disasters. (World Bank Global Economic Prospects, January 2024)

Short-term market outlook

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

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

Board of Directors' proposal for the distribution of profit

Valmet Oyj's distributable funds on December 31, 2023, totaled EUR 1,502,676,727.91 of which the net profit for the year 2023 was EUR 296,787,891.20 (according to Finnish Generally Accepted Accounting Standards). The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 1.35 per share be paid based on the statement of financial position to be adopted for the financial year ended on December 31, 2023, and the remaining part of profit be retained and carried further in the Company's unrestricted equity.

The dividend shall be paid in two installments. The first installment of EUR 0.68 per share shall be paid to shareholders who on the dividend record date of March 26, 2024, are registered in the Company's shareholders' register held by Euroclear Finland Ltd. The dividend shall be paid on April 11, 2024. The second installment of EUR 0.67 per share shall be paid in October 2024. The second installment shall be paid to shareholders who on the dividend record date are registered in the Company's shareholders' register held by Euroclear Finland Ltd. The dividend record date and payment date shall be resolved by the Board of Directors in its meeting scheduled for September 26, 2024. The dividend record date for the second installment would be October 1, 2024, and the dividend payment date October 10, 2024.

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

In Espoo, Finland, on February 7, 2024
Valmet's Board of Directors

Financial indicators

	As at and for the twelve months ended Dec 31				
EUR million	**2023**	**2022**	**2021**	**2020**	**2019**
Orders received	**4,955**	5,194	4,740	3,653	3,986
Order backlog at end of year	**3,973**	4,403	4,096	3,257	3,333
Net sales	**5,532**	5,074	3,935	3,740	3,547
Net sales change, %	**9%**	29%	5%	5%	7%
Comparable EBITA	**619**	533	429	365	316
% of net sales	**11.2%**	10.5%	10.9%	9.8%	8.9%
EBITA	**605**	550	448	355	315
% of net sales	**10.9%**	10.8%	11.4%	9.5%	8.9%
Operating profit	**507**	436	399	319	281
% of net sales	**9.2%**	8.6%	10.1%	8.5%	7.9%
Profit before taxes	**473**	431	395	307	269
% of net sales	**8.5%**	8.5%	10.0%	8.2%	7.6%
Profit for the period	**359**	338	296	231	202
% of net sales	**6.5%**	6.7%	7.5%	6.2%	5.7%
Profit attributable to owners of the parent	**357**	337	296	231	201
Amortization	**-98**	-114	-49	-36	-34
Depreciation, property, plant and equipment (excl. right-of-use assets)	**-58**	-55	-47	-47	-48
Depreciation, right-of-use assets	**-41**	-34	-24	-24	-23
Depreciation and amortization, total	**-196**	-203	-120	-106	-105
% of net sales	**-3.6%**	-4.0%	-3.0%	-2.8%	-3.0%
Cash flow provided by operating activities	**352**	36	482	532	295
Cash flow after investing activities	**-181**	56	382	-60	58
Gross capital expenditure (excl. business combinations and right-of-use assets)	**-125**	-112	-97	-89	-79
Business combinations, net of cash acquired and loans repaid	**-415**	117	-15	-48	-163
Additions to investments in associated companies	**—**	—	—	-456	—
Comparable return on capital employed (ROCE) before taxes, %	**15%**	17%	23%	22%	23%
Return on capital employed (ROCE) before taxes, %	**14%**	18%	24%	22%	23%
Total assets	**7,064**	6,271	4,420	3,959	3,452
Equity attributable to owners of the parent	**2,565**	2,494	1,326	1,137	1,040
Total equity	**2,572**	2,499	1,332	1,142	1,046
Interest-bearing liabilities	**1,484**	809	477	497	268
Net interest-bearing liabilities	**1,027**	502	-88	149	-90
Net working capital (NWC)	**191**	-82	-673	-595	-426
Return on equity (ROE), %	**14%**	18%	24%	21%	20%
Net debt to EBITDA ratio	**1.46**	0.78	-0.17	0.35	-0.23
Gearing, %	**40%**	20%	-7%	13%	-9%
Equity to assets ratio, %	**43%**	49%	42%	39%	41%
Average number of personnel	**18,130**	16,554	14,163	13,615	13,235
Personnel at end of year	**19,160**	17,548	14,246	14,046	13,598

Formulas for calculation of indicators

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

EBITA:

Operating profit + amortization

Comparable EBITA:

Operating profit + amortization +/- items affecting comparability

Earnings per share:

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

Diluted earnings per share:

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

Adjusted earnings per share:

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

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), %:

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

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

$$\frac{\text{Profit before taxes + interest and other financial expenses}}{\text{Total equity + interest-bearing liabilities (average for period)}} \text{ X 100}$$

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

$$\frac{\text{Profit before taxes + interest and other financial expenses +/- items affecting comparability}}{\text{Total equity + interest-bearing liabilities (average for the period)}} \text{ X 100}$$

Equity to assets ratio, %:

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

Gearing, %:

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

Net interest-bearing liabilities:

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

Net debt to EBITDA ratio:

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

Dividend per share:

$$\frac{\text{Dividend for the financial period}}{\text{Number of shares at end of period}}$$

Dividend payout ratio, %:

$$\frac{\text{Dividend per share}}{\text{Earnings per share}} \text{ X 100}$$

Effective dividend yield, %:

$$\frac{\text{Dividend per share}}{\text{Closing share price at end of period}} \text{ X 100}$$

Price / earnings ratio:

$$\frac{\text{Closing share price at end of period}}{\text{Earnings per share}}$$

Consolidated statement of income

		Year ended Dec 31,	
EUR million	**Note**	**2023**	**2022**
Net sales	2, 3	**5,532**	5,074
Cost of goods sold	4, 5, 7, 13	**-4,136**	-3,857
Gross profit		**1,396**	1,217
Selling, general and administrative expenses	4, 5, 13, 18	**-920**	-852
Other operating income	19	**64**	100
Other operating expenses	19	**-36**	-36
Share in profits and losses of associated companies, operative investments	22	**3**	7
Operating profit		**507**	436
Financial income	10	**17**	15
Financial expenses	10	**-52**	-20
Share in profits and losses of associated companies, financial investments	22	**—**	—
Profit before taxes		**473**	431
Current tax expense		**-135**	-112
Deferred taxes		**21**	18
Income taxes, total	16	**-114**	-94
Profit for the period		**359**	338
Attributable to:			
Owners of the parent		**357**	337
Non-controlling interests		**2**	—
Profit for the period		**359**	338
Earnings per share attributable to owners of the parent:			
Earnings per share, EUR		**1.94**	1.92
Diluted earnings per share, EUR		**1.94**	1.92

Consolidated statement of comprehensive income

EUR million	Note	Year ended Dec 31, 2023	2022
Profit for the period		**359**	338
Items that may be reclassified to profit or loss:			
Gains and losses on cash flow hedges	8, 9, 17	**-12**	-4
Change in fair value reserve	8	**—**	-2
Currency translation on subsidiary net investments	17	**-21**	-4
Share of other comprehensive income of associated companies accounted for using equity method	22	**—**	-1
Income tax relating to items that may be reclassified	16	**2**	1
Total items that may be reclassified to profit or loss		**-31**	-10
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit plans	15	**-18**	58
Share of other comprehensive income of associated companies accounted for using equity method	22	**—**	1
Income tax relating to items that will not be reclassified	16	**3**	-12
Total items that will not be reclassified to profit or loss		**-15**	47
Other comprehensive income for the period		**-46**	38
Total comprehensive income for the period		**312**	375
Attributable to:			
Owners of the parent		**311**	375
Non-controlling interests		**1**	—
Total comprehensive income for the period		**312**	375

Consolidated statement of financial position

Assets

		As at Dec 31,	
EUR million	**Note**	**2023**	**2022**
Non-current assets			
Intangible assets			
Goodwill		**1,735**	1,611
Other intangible assets		**1,142**	1,030
Total intangible assets	4	**2,877**	2,641
Property, plant and equipment			
Land and water areas		**40**	41
Buildings and structures		**169**	152
Machinery and equipment		**263**	217
Right-of-use assets		**145**	105
Assets under construction		**81**	85
Total property, plant and equipment	4, 5	**698**	600
Other non-current assets			
Investments in associated companies	22	**16**	15
Non-current financial assets	8, 9	**31**	22
Deferred tax assets	16	**90**	60
Non-current income tax receivables	16	**41**	33
Other non-current assets		**15**	14
Total other non-current assets		**193**	143
Total non-current assets		**3,768**	3,384
Current assets			
Inventories			
Materials and supplies		**249**	216
Work in progress		**472**	424
Finished products		**327**	294
Total inventories	7	**1,049**	934
Receivables and other current assets			
Trade receivables	8	**973**	834
Amounts due from customers under revenue contracts	3	**475**	485
Other current financial assets	8, 9	**53**	89
Income tax receivables		**56**	45
Other receivables		**258**	223
Cash and cash equivalents	8	**432**	277
Total receivables and other current assets		**2,247**	1,953
Total current assets		**3,296**	2,887
Total assets		**7,064**	6,271

Consolidated statement of financial position

Equity and liabilities

		As at Dec 31,	
EUR million	**Note**	**2023**	**2022**
Equity			
Share capital		**140**	140
Reserve for invested unrestricted equity		**1,372**	1,369
Cumulative translation adjustments		**-42**	-20
Hedge and other reserves		**-1**	8
Retained earnings		**1,096**	997
Equity attributable to owners of the parent	17	**2,565**	2,494
Non-controlling interests		**6**	5
Total equity		**2,572**	2,499
Liabilities			
Non-current liabilities			
Non-current debt	8	**1,240**	555
Non-current lease liabilities	5, 8	**98**	63
Employee benefit liabilities	15	**154**	132
Non-current provisions	11	**42**	38
Other non-current liabilities	8, 9	**12**	8
Deferred tax liabilities	16	**283**	238
Total non-current liabilities		**1,828**	1,034
Current liabilities			
Current debt	8	**103**	155
Current lease liabilities	5, 8	**43**	35
Trade payables	8	**520**	442
Current provisions	11	**169**	181
Amounts due to customers under revenue contracts	3	**1,151**	1,205
Other current financial liabilities	8, 9	**34**	50
Income tax liabilities		**85**	79
Other current liabilities	12	**558**	591
Total current liabilities		**2,664**	2,738
Total liabilities		**4,492**	3,772
Total equity and liabilities		**7,064**	6,271

Consolidated statement of cash flows

		Year ended Dec 31,	
EUR million	**Note**	**2023**	**2022**
Cash flows from operating activities			
Profit for the period		**359**	338
Adjustments			
Depreciation and amortization	4, 5	**196**	203
Financial income and expenses	10	**34**	5
Income taxes	16	**114**	94
Other non-cash items[1]		**-11**	-73
Change in net working capital	6	**-180**	-399
Interest paid		**-31**	-12
Interest received		**13**	11
Dividends received		**—**	1
Income taxes paid		**-143**	-131
Net cash provided by (+) / used in (-) operating activities		**352**	36
Cash flows from investing activities			
Capital expenditures on fixed assets	4	**-125**	-112
Proceeds from sale of fixed assets		**6**	2
Business combinations, net of cash acquired and loans repaid	20	**-415**	117
Investments in associated companies	22	**2**	13
Net cash provided by (+) / used in (-) investing activities		**-532**	20
Cash flows from financing activities			
Redemption of own shares		**-4**	-5
Dividends paid	17	**-240**	-180
Proceeds from non-current debt		**725**	400
Repayments of current portion of non-current debt		**-40**	-587
Repayments of lease liabilities	8	**-44**	-39
Net proceeds from (+) / repayments of (-) current debt		**-58**	96
Financial investments		**7**	23
Net cash provided by (+) / used in (-) financing activities		**346**	-292
Net increase (+) / decrease (-) in cash and cash equivalents		**165**	-236
Effect of changes in exchange rates on cash and cash equivalents		**-10**	-4
Cash and cash equivalents at beginning of year	8	**277**	517
Cash and cash equivalents at end of year		**432**	277

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

Consolidated statement of changes in equity

EUR million	Share capital	Reserve for invested unrestricted equity	Cumulative translation adjustments	Hedge and other reserves	Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance at January 1, 2023	**140**	**1,369**	**-20**	**8**	**997**	**2,494**	**5**	**2,499**
Profit for the period	—	—	—	—	357	**357**	2	**359**
Other comprehensive income for the period								
Gains and losses on cash flow hedges								
Fair value gains and losses, net of tax	—	—	—	—	—	**—**	—	**—**
Transferred to profit or loss, net of tax	—	—	—	-10	—	**-10**	—	**-10**
Change in fair value reserve, net of tax	—	—	—	—	—	**—**	—	**—**
Currency translation on subsidiary net investments	—	—	-21	—	—	**-21**	—	**-21**
Remeasurement of defined benefit plans, net of tax	—	—	—	—	-15	**-15**	—	**-15**
Other comprehensive income for the period, total	—	—	-21	-10	-15	**-46**	—	**-46**
Total comprehensive income for the period	—	—	-21	-10	341	**311**	1	**312**
Transactions with owners in their capacity as owners								
Dividends	—	—	—	—	-239	**-239**	-1	**-240**
Purchase of treasury shares	—	—	—	—	-4	**-4**	—	**-4**
Share-based payments, net of tax	—	3	—	—	1	**4**	—	**4**
Balance at December 31, 2023	**140**	**1,372**	**-42**	**-1**	**1,096**	**2,565**	**6**	**2,572**
Balance at January 1, 2022	100	426	-16	13	804	1,326	6	1,332
Change in accounting principles[1]	—	—	—	—	-2	-2	—	-2
Restated balance at January 1, 2022	**100**	**426**	**-16**	**13**	**802**	**1,324**	**6**	**1,330**
Profit for the period	—	—	—	—	337	337	—	338
Other comprehensive income for the period								
Gains and losses on cash flow hedges								
Fair value gains and losses, net of tax	—	—	—	-13	—	-13	—	-13
Transferred to profit or loss, net of tax	—	—	—	10	—	10	—	10
Change in fair value reserve, net of tax	—	—	—	-1	—	-1	—	-1
Currency translation on subsidiary net investments	—	—	-4	—	—	-4	—	-4
Remeasurement of defined benefit plans, net of tax	—	—	—	—	47	47	—	47
Other comprehensive income for the period, total	—	—	-4	-4	46	38	—	38
Total comprehensive income for the period	—	—	-4	-4	384	375	—	375
Transactions with owners in their capacity as owners								
Dividends	—	—	—	—	-179	-179	-1	-180
Issue of ordinary shares as consideration for a business combination, net of transaction costs	40	937	—	—	—	977	—	977
Purchase of treasury shares	—	—	—	—	-5	-5	—	-5
Share-based payments, net of tax	—	6	—	—	-5	2	—	2
Balance at December 31, 2022	**140**	**1,369**	**-20**	**8**	**997**	**2,494**	**5**	**2,499**

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

Notes to the consolidated financial statements

1 | Basis of preparation

General information

Valmet Oyj (the "Company" or the "parent company"), a public limited liability company, and its subsidiaries (together "Valmet," "Valmet Group" or the "Group") form a global developer and supplier of process 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 the Nasdaq Helsinki Ltd as of January 2, 2014. The copies of the consolidated financial statements are available at www.valmet.com or the parent company's head office, Keilasatama 5, 02150 Espoo, Finland. The consolidated financial statements were authorized for issue by Valmet's Board of Directors on February 7, 2024, after which, in accordance with Finnish Limited Liability Company Act, the financial statements are either approved, amended or rejected in the Annual General Meeting. The consolidated financial statements have been prepared in accordance with the basis of presentation set out below and accounting policies described in connection with each note.

These consolidated financial statements were prepared in accordance with the IFRS Accounting Standards as adopted by the European Union. The financial statements figures are presented mainly in millions of euros subject to rounding, which may cause some rounding inaccuracies in aggregate column and row totals.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts.

Basis of presentation

Subsidiaries

Subsidiaries are all entities over which Valmet Group has control. Control over an entity exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When the Group has less than a majority of the voting or similar rights of an entity, the Group considers all relevant facts and circumstances in assessing whether it has control over an entity, including the contractual arrangement with the other vote holders of the entity, rights arising from other contractual arrangements and the Group's voting rights and potential voting rights.

The Group reassesses whether it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of control. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Intercompany transactions, balances and unrealized gains and losses arising from transactions between Group companies are eliminated.

Associated companies

The consolidated financial statements include associated companies in which Valmet either holds between 20 percent to 50 percent of the voting rights or in which Valmet otherwise has significant influence but not control. Investments in associated companies are accounted for using the equity method of accounting. Investments in associated companies are initially recorded at cost, and the carrying amount is increased or decreased to recognize Valmet's share of changes in net assets of the associated companies after the date of the acquisition. The Group's investment in associated companies includes goodwill identified on acquisition. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired.

Valmet's share of post-acquisition profit or loss is recognized in Consolidated statement of income and its share of post-acquisition movements in other comprehensive income (OCI) is recognized in Consolidated statement of comprehensive income with a corresponding adjustment to the carrying amount of the investment. The share of results of associated companies is presented in Consolidated statement of income either included in Operating profit or adjacent to Financial income and expenses below Operating profit depending on the nature of the investment.

Foreign currency translation

Items included in the financial statements of each of Valmet Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). These consolidated financial statements are presented in euros, which is the Group's presentation currency. The statements of income of foreign Group companies are translated into euros using the average exchange rate for the reporting period. The statements of financial position are translated at the closing exchange rate of the reporting date. Translating the net income for the period using different exchange rates in the Consolidated statement of income and in the Consolidated statement of financial position results in a translation difference, which is recognized in the Consolidated statement of comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange rate differences arising are recognized in the Consolidated statement of comprehensive income.

When a subsidiary is disposed of or sold, exchange rate differences that were recorded in equity are recognized in profit or loss as part of the gain or loss on sale.

Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the date of transaction. Non-monetary items that are measured at fair value are translated into functional currency using the exchange rate of the transaction date.

Foreign exchange gains and losses resulting from the settlement of such balances and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates, are recognized in Consolidated statement of income. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in Consolidated statement of income within Financial income and expenses. All other foreign exchange gains and losses are presented in Other operating income and expenses, or in Net sales or Cost of goods sold.

Key exchange rates:

		Average rates		Year-end rates	
		2023	**2022**	**2023**	**2022**
USD	(US dollar)	**1.0816**	1.0563	**1.1050**	1.0666
SEK	(Swedish krona)	**11.4563**	10.6258	**11.0960**	11.1218
CNY	(Chinese yuan)	**7.6589**	7.0836	**7.8509**	7.3582

Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRS Accounting Standards requires management to make estimates and exercise judgment in the application of the accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Material accounting policies applied, and critical accounting estimates and judgments made are described adjacent to each note as follows:

- Revenue recognition — Note 3
- Intangible assets and property, plant and equipment — Note 4
- Leases — Note 5
- Inventories — Note 7
- Financial assets and liabilities — Note 8
- Derivative financial instruments — Note 9
- Provisions — Note 11
- Employee benefit obligations — Note 15
- Income taxes — Note 16

2 | Reporting segments and geographic information

Accounting policies

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

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

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

Orders received:

	Year ended Dec 31,	
EUR million	**2023**	**2022**
Services	**1,760**	1,756
Automation	**1,340**	1,081
Process Technologies	**1,856**	2,356
Total	**4,955**	5,194

Net sales:

	Year ended Dec 31,	
EUR million	**2023**	**2022**
Services	**1,784**	1,606
Automation	**1,328**	1,040
Process Technologies	**2,420**	2,428
Total	**5,532**	5,074

Comparable EBITA:

	Year ended Dec 31,	
EUR million	**2023**	**2022**
Services	**312**	237
Automation	**248**	190
Process Technologies	**110**	145
Other	**-50**	-39
Total	**619**	533

Comparable EBITA, % of net sales:

	Year ended Dec 31,	
EUR million	**2023**	**2022**
Services	**17.5%**	14.8%
Automation	**18.6%**	18.3%
Process Technologies	**4.5%**	6.0%
Total	**11.2%**	10.5%

EBITA:

	Year ended Dec 31,	
EUR million	**2023**	**2022**
Services	**302**	228
Automation	**245**	170
Process Technologies	**116**	134
Other	**-58**	18
Total	**605**	550

EBITA, % of net sales:

	Year ended Dec 31,	
EUR million	**2023**	**2022**
Services	**16.9%**	14.2%
Automation	**18.5%**	16.3%
Process Technologies	**4.8%**	5.5%
Total	**10.9%**	10.8%

Items affecting comparability:

	Year ended Dec 31,	
EUR million	**2023**	**2022**
Services	**-10**	-9
Automation	**-2**	-20
Process Technologies	**6**	-10
Other	**-8**	57
Total	**-14**	17

Amortization:

	Year ended Dec 31,	
EUR million	**2023**	**2022**
Services	**-10**	-7
Automation	**-63**	-84
Process Technologies	**-8**	-7
Other	**-17**	-16
Total	**-98**	-114

Reconciliation between Comparable EBITA, EBITA and Operating profit:

EUR million	Year ended Dec 31, 2023	2022
Comparable EBITA	**619**	533
Items affecting comparability in cost of sales		
Expenses related to capacity adjustments	**-8**	-3
Expensing of fair value adjustments recognized in business combinations	**-8**	-13
Other items affecting comparability[1]	**-17**	-31
Items affecting comparability in selling, general and administrative expenses		
Expenses related to capacity adjustments	**—**	-1
Expenses related to acquisitions	**-6**	-11
Other items affecting comparability[1]	**-14**	-11
Items affecting comparability in other operating income and expenses		
Income and expenses related to capacity adjustments	**3**	—
Expenses related to acquisitions	**—**	—
Other items affecting comparability[2]	**32**	77
Items affecting comparability in share in profits and losses of associated companies, operative investments		
Other items affecting comparability	**3**	9
EBITA	**605**	550
Amortization included in cost of sales		
Other intangibles	**-2**	-2
Amortization included in selling, general and administrative expenses		
Intangibles recognized in business combinations	**-76**	-92
Other intangibles	**-21**	-18
Amortization included in share in profits and losses of associated companies, operative investments		
Other intangibles	**—**	-2
Operating profit	**507**	436

[1] 2023 and 2022 figures include expenses related to the fire that happened in 2022 at Valmet's Rautpohja factory site in Jyväskylä, Finland and expenses from Valmet's withdrawal from Russia.

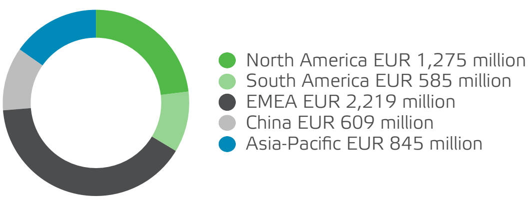
[2] 2023 and 2022 figures include income related to the fire that happened in 2022 at Valmet's Rautpohja factory site in Jyväskylä, Finland and expenses from Valmet's withdrawal from Russia. Also, in 2022 includes a gain of EUR 59 million from remeasurement of Valmet's previously held equity interest in Neles.

Entity-wide information

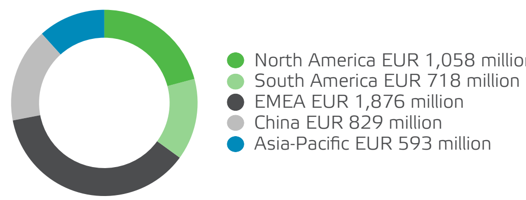
Valmet has operations globally in over 40 countries. Measured by net sales, the top three countries in 2023 were the USA, China and Indonesia, which together accounted for 38 percent of total net sales. In 2022, the top three countries were the USA, China, and Brazil, which together accounted for 45 percent of total net sales.

Net sales from Finland (the country of domicile) amounted to EUR 385 million in 2023 (EUR 565 million).

Net sales by destination 2023, EUR 5,532 million



Net sales by destination 2022, EUR 5,074 million



Non-current assets by location:

EUR million	Finland	North America	South America	EMEA excluding Finland	China	Asia-Pacific	Non-allocated	Total
2023	**352**	**204**	**35**	**177**	**91**	**42**	**2,732**	**3,633**
2022	325	180	20	164	104	46	2,450	3,288

Non-current assets comprise intangible assets, property, plant and equipment, investments in associated companies, and non-current income tax receivables. Non-allocated assets include mainly goodwill, investments in associated companies, non-current income tax receivables and other fair value adjustments arising from business combinations that have not been pushed down to adjust the value of assets in the subsidiaries' books.

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

EUR million	North America	South America	EMEA	China	Asia-Pacific	Total
2023	**16**	**7**	**82**	**15**	**4**	**125**
2022	6	3	80	15	8	112

Major customers

Valmet enters into large long-term projects which however individually rarely contribute more than 10 percent of annual revenue. In 2023 and 2022, there was no single customer with revenue exceeding 10 percent of net sales.

3 | Revenue recognition

Accounting policies

Valmet supplies process technologies, automation systems, valves and services primarily for the pulp, paper and energy industries as well as municipal and industrial heat and power producers. Valmet's customer base also includes other process industries and marine, where automation solutions are widely used. In the process technologies business, the Group's revenue arises from projects, the scope of which ranges from delivery of complete mill facilities on a turnkey basis to single section machine rebuilds, that may or may not include process automation solutions. Service business revenue includes revenue from short-term and long-term maintenance contracts, smaller improvement and modification contracts, rebuilds, as well as sale of spare parts and consumables. Process technologies and service business revenue largely arises from the same customers with service offering being focused on maintaining installed base of equipment and automation solutions.

Revenue is recognized to depict the transfer of promised goods or services to the customers in an amount that reflects the consideration to which Valmet expects to be entitled to in exchange for those goods or services. The timing and method as well as unit of revenue recognition are determined in accordance with the five-step model of IFRS 15 as follows:

Step 1: Identification of the contract(s) with a customer
Step 2: Identification of the performance obligations in the contract
Step 3: Determination of the transaction price attached to the contract
Step 4: Allocation of the transaction price to the performance obligations identified in the contract
Step 5: Recognition of revenue when (or as) the entity satisfies a performance obligation

In long-term projects involving delivery of both equipment and services, one or more performance obligations are identified. The identification of performance obligations depends on the scope of the project and terms of the contracts, and largely follows the level at which quotes are being requested by the customers.

In short-term service contracts that involve delivery of a combination of equipment and services, depending on the scope of the contract and terms attached thereto, one or more performance obligations are identified. When scope of the contract involves services provided at the customer site, such as installation, maintenance, technical support or mechanical audits, these are typically considered as a separate performance obligation from delivery of significant equipment and services provided off-site. On the other hand, when services in the scope of the contract are performed at Valmet premises only, such as workshop services, material and services typically cannot be identified separately, and consistently only one performance obligation is identified.

In long-term service contracts where Valmet's activities are largely performed at the customer's site, depending on the contract and terms attached thereto, one or more performance obligations are identified. When the scope of the contract involves various service elements that are sold separately on a stand-alone basis, these elements would typically be determined to consist of performance obligations on their own.

Revenue is recognized when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service, either over time or at a point in time.

When Valmet determines that control on goods or services is transferred over time, this is typically based on either that customer simultaneously receives and consumes benefits as Valmet performs, or that Valmet's performance creates an asset with no alternative use throughout the duration of a contract and Valmet has enforceable right to payment for performance completed to date.

Deliverables within Valmet's product offering that have the characteristics of the first criterion include mill maintenance services or other field services provided under long-term contracts, in which the receipt and simultaneous consumption by the customer of the benefits of Valmet's performance can be readily identified. Deliverables with the characteristics of the second criterion include projects where the scope of the contract involves design and construction of an asset according to customer specifications. The assets created in these projects do not have alternative use because the design is based on specific customer needs. When revenue is recognized over time, progress towards complete satisfaction of the performance obligation is measured using the cost-based input method (cost-to-cost method). The cost-to-cost method is estimated to result in a revenue profile that best depicts the transfer of control on the deliverables to the customer.

Recognition of revenue at a point in time is applicable, among others, in contracts where services are performed at Valmet's premises, and deliveries of spare parts, valves and consumables. Control of deliverables typically transfers based on the delivery terms used, at the takeover, or at a later point in time when customer acceptance is received.

Valmet's contracts often involve elements of variable consideration, such as penalties, liquidated damages or performance bonus arrangements. Variable consideration is estimated by using either the expected value or the most likely amount -method, depending on the type of variable element and related contractual terms and conditions. Amount of variable consideration is included in transaction price only to the extent that it is highly probable that a significant reversal of revenue does not occur later. Transaction prices are reassessed at each reporting date. Variable elements are generally allocated proportionately to all performance obligations in the contract, or when terms of the variable payments relate to satisfying a specific performance obligation and allocated amount depicts the amount of consideration to which Valmet expects to be entitled in exchange for transferring related goods or services, variable consideration is allocated to that specific performance obligation, and not all performance obligations in the contract.

Valmet provides its customers with standard payment terms. If extended payment terms exceeding one year are offered to customers, the invoiced amount is discounted to its present value and interest income is recognized over the credit term.

When Valmet incurs costs in fulfilling its contractual obligations, these are expensed as incurred, unless costs can be capitalized as inventory. The latter is typically the case in performance obligations for which revenue is recognized at a point in time. Costs to obtain a contract that are expected to be recovered are capitalized when amortization period is one year or more. Otherwise, these costs are expensed as incurred.

Valmet regularly enters into contracts where the consideration includes one or more variable elements. Variable consideration is estimated by using either the expected value or the most likely amount -method, depending on the type of the arrangement. In making judgments about variable consideration, Valmet considers historical, current and forecast information. Impact of changes in estimates is recognized in revenue in the period when the estimate is updated.

Critical accounting estimates and judgments

For performance obligations satisfied over time, the progress and the profitability are based on the management's estimates, which require significant judgement concerning the stage of completion, the cost to complete, and the time of completion. Management regularly reviews the progress and execution of performance obligations. As part of the process, management reviews information including, but not limited to, key contractual obligations outstanding, project schedule, identified risks and opportunities, as well as changes in estimates of revenues and costs. A projected loss on a customer contract is recognized in full through profit or loss when it becomes known.

Disaggregation of revenue

Valmet's revenue is reported, and monitored by management, by business line and area. Paper, and Pulp and Energy business lines' revenue is derived from large long-term projects, for which revenue is mostly recognized over time based on the cost-to-cost method. For the projects that do not meet the over time revenue recognition criteria, revenue is recognized at a point in time. Service business line's revenue is generated from large volume of short-term contracts with relatively low individual value, for which revenue is mainly recognized at a point in time. Flow Control business line's valves equipment sales are recognized at a point in time. Automation business line's revenue consists of long-term contracts and short-term service contracts. The nature of long-term contracts, and therefore also the revenue recognition method, is similar to process technologies projects although with average contract values being lower. Revenue for short-term service contracts is recognized at a point in time. Nature of revenue in each area in any given reporting period is driven by volume and size of ongoing projects.

Net sales by business lines:

	Year ended Dec 31,	
EUR million	**2023**	**2022**
Services	**1,784**	1,606
Flow Control	**777**	551
Automation Systems	**551**	489
Pulp and Energy	**1,067**	1,081
Paper	**1,353**	1,347
Total	**5,532**	5,074

Timing of revenue recognition:

	Year ended Dec 31,	
EUR million	**2023**	**2022**
Performance obligations satisfied at a point in time	**2,670**	2,321
Performance obligations satisfied over time	**2,862**	2,753
Total	**5,532**	5,074

Contract balances

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 customer 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. A significant part of amounts due to customers relate to advance consideration received from customers in long-term contracts for which revenue is recognized over time. These amounts are recognized as revenue as (or when) Valmet performs under the contracts.

The following tables show movements in amounts due from customers under revenue contracts and amounts due to customers under revenue contracts during 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	2023	2022
Balance at beginning of the period	**485**	280
Translation differences	**-1**	-6
Acquired in business combinations	**—**	—
Revenue recognized in the period	**1,148**	1,179
Transfers to trade receivables	**-1,157**	-968
Balance at end of the period	**475**	485

Amounts due to customers under revenue contracts:

EUR million	2023	2022
Balance at beginning of the period	**1,205**	1,263
Translation differences	**-18**	-7
Acquired in business combinations	**66**	29
Revenue recognized in the period	**-2,505**	-2,090
Consideration invoiced and/or received	**2,403**	2,011
Balance at end of the period	**1,151**	1,205

	As at Dec 31,	
EUR million	**2023**	**2022**
Amounts due to customers under revenue contracts for which revenue is recognized		
Point in time	**362**	359
Over time	**789**	846
Carrying value at end of the period	**1,151**	1,205

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

As at December 31, 2023, Valmet had no costs to obtain or fulfil contracts capitalized under IFRS 15.

The aggregate amount of transaction price allocated to unsatisfied or partially satisfied performance obligations as at December 31, 2023, was EUR 3,973 million (EUR 4,403 million). Approximately 85 percent of the order backlog is currently expected to be realized as net sales during 2024 (at the end of December 2022, approximately 75% was expected to be realized as net sales during 2023).

4 | Intangible assets and property, plant and equipment

Accounting policies

Fixed assets consist of intangible assets and property, plant and equipment. Intangible assets, which comprise goodwill, intangible assets recognized in business combinations (such as technology and customer relationships), capitalized software and other intangible assets, are stated at historical cost less accumulated amortization and impairment losses, if any. Goodwill is not amortized, but tested for impairment.

Property, plant and equipment is stated at historical cost, less accumulated depreciation and impairment losses, if any. Land and water areas are not depreciated.

Subsequent improvement costs related to an asset are included in the carrying value of such an asset or recognized as a separate asset, as appropriate, only when the future economic benefits associated with the costs are probable, and the related costs can be separated from normal maintenance costs.

Depreciation and amortization

Amortization of intangible assets with a definite useful life is calculated on a straight-line basis over the expected economic lives of the assets, being the following:

Patents and licenses	5–10 years
Capitalized software	3–5 years
Technology	3–20 years
Customer relationships	3–20 years
Other intangibles	1–40 years

Depreciation of property, plant and equipment is calculated on a straight-line basis over the expected useful lives of the assets, being the following:

Buildings and structures	15–40 years
Machinery and equipment	3–20 years

Expected useful lives are reviewed at each balance sheet date and if they differ significantly from previous estimates the remaining depreciation periods are adjusted accordingly.

Impairment

The carrying value of fixed assets subject to amortization or depreciation is reviewed for impairment whenever events and changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The recoverable amount of an asset is the higher of its fair value and its value in use. An asset is impaired if its carrying amount exceeds its recoverable amount, at which time an impairment loss is recognized in the Consolidated statement of income in Other operating expenses. The previously recognized impairment loss may be reversed if, and only if, there is exceptional and significant improvement in the circumstances having initially caused the impairment.

The carrying value of goodwill is reviewed for impairment annually or more frequently, if the facts and circumstances, such as decline in sales, operating profit or cash flows, or material adverse changes in the business environment, suggest that carrying value may not be recoverable. Valmet has three cash generating units (CGUs) that establish the first aggregation levels at which impairment testing can be done. The testing of goodwill for impairment is performed at the CGU level as goodwill does not generate cash flows independent from the CGUs. Valmet uses value in use method to measure the recoverable amount of goodwill subject to testing. Value in use is estimated through discounted cash flow method. A previously recognized impairment loss on goodwill is not reversed even if there is significant improvement in circumstances having initially caused the impairment.

Critical accounting estimates and judgments

Impairment testing

Preparation of impairment analysis requires use of numerous estimates. The valuation is inherently judgmental and highly susceptible to change from period to period, because it requires management to make assumptions about future supply and demand related to its individual business units, future sales prices and achievable cost levels. The value of the benefits and savings expected from the efficiency improvement programs are inherently subjective. All outsized improvements are excluded from future cash inflows and outflows. The value in use of a cash generating unit is determined by discounting estimated future cash flows with a discount rate approximating the weighted average cost of capital (WACC).

The WACC is based on comparable peer industry betas and capital structure.

Triggering events for impairment reviews at Valmet include the following:

- Material permanent deterioration in the economic or political environment of the customers' or of own activity
- Businesses or asset's significant under-performance relative to historical or projected future performance
- Significant changes in Valmet's strategic orientations affecting the business plans and previous investment policies.

Intangible assets:

EUR million	Goodwill	Intangible assets recognized in business combinations	Capitalized software	Other intangible assets	Total
2023					
Acquisition cost at beginning of the period	1,611	1,320	206	78	**3,215**
Translation differences	-3	—	—	—	**-3**
Capital expenditure	—	—	—	27	**27**
Acquired in business combinations	128	182	1	—	**311**
Retirements	—	—	—	-2	**-2**
Reclassifications	—	—	28	-28	**—**
Other changes and disposals	—	—	—	-3	**-3**
Acquisition cost at end of the period	1,735	1,502	234	72	**3,545**
Accumulated amortization and impairment losses at beginning of the period	—	-407	-111	-56	**-575**
Translation differences	—	—	—	—	**—**
Amortization charges for the period	—	-76	-19	-4	**-98**
Impairment losses	—	—	—	—	**—**
Retirements	—	—	—	2	**2**
Other changes and disposals	—	—	—	3	**3**
Accumulated amortization and impairment losses at end of the period	—	-483	-130	-55	**-668**
Carrying value at end of the period	**1,735**	**1,020**	**105**	**17**	**2,877**

EUR million	Goodwill	Intangible assets recognized in business combinations[1]	Capitalized software	Other intangible assets[1]	Total
2022					
Acquisition cost at beginning of the period	730	492	178	75	1,475
Translation differences	4	-1	—	-1	2
Capital expenditure	—	—	—	32	32
Acquired in business combinations	876	830	4	1	1,712
Retirements	—	—	-2	-4	-6
Reclassifications	—	—	26	-26	—
Other changes and disposals	—	-1	—	—	-1
Acquisition cost at end of the period	1,611	1,320	206	78	3,215
Accumulated amortization and impairment losses at beginning of the period	—	-319	-97	-55	-471
Translation differences	—	4	—	—	4
Amortization charges for the period	—	-92	-16	-4	-112
Impairment losses	—	—	—	-2	-2
Retirements	—	—	2	4	6
Other changes and disposals	—	—	—	—	—
Accumulated amortization and impairment losses at end of the period	—	-407	-111	-56	-575
Carrying value at end of the period	1,611	913	95	22	2,641

[1] Presentation of intangible assets has changed in 2023. Intangible assets recognized in business combinations are presented separately and Patents and licenses are included in Other intangible assets.

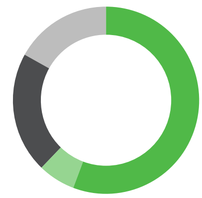
Property, plant and equipment (excluding right-of-use assets):

EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Assets under construction	Total
2023					
Acquisition cost at beginning of the period	41	428	975	84	**1,528**
Translation differences	-1	-6	-13	-1	**-21**
Capital expenditure	—	1	12	85	**98**
Acquired in business combinations	—	12	16	1	**29**
Disposals	—	-7	-18	—	**-25**
Retirements	—	—	-8	—	**-9**
Reclassifications	—	21	67	-87	**—**
Other changes	—	—	—	-1	**-1**
Acquisition cost at end of the period	40	449	1,030	81	**1,599**
Accumulated depreciation and impairment losses at beginning of the period	—	-276	-758	—	**-1,034**
Translation differences	—	3	10	—	**13**
Depreciation charges for the period	—	-14	-43	—	**-58**
Impairment losses	—	—	—	—	**—**
Disposals	—	7	16	—	**23**
Retirements	—	—	8	—	**9**
Other changes	—	—	1	—	**—**
Accumulated depreciation and impairment losses at end of the period	—	-280	-767	—	**-1,046**
Carrying value at end of the period	**40**	**169**	**263**	**81**	**553**

EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Assets under construction	Total
2022					
Acquisition cost at beginning of the period	25	395	942	72	1,434
Translation differences	—	-4	-6	-1	-11
Capital expenditure	4	1	8	67	80
Acquired in business combinations	12	26	34	2	74
Disposals	—	—	-8	—	-8
Retirements	—	-7	-32	—	-40
Reclassifications	—	18	37	-56	—
Other changes	—	—	—	—	-1
Acquisition cost at end of the period	41	428	975	85	1,528
Accumulated depreciation and impairment losses at beginning of the period	—	-272	-759	—	-1,030
Translation differences	—	2	5	—	7
Depreciation charges for the period	—	-13	-42	—	-55
Impairment losses	—	-1	-1	—	-2
Disposals	—	—	6	—	6
Retirements	—	7	32	—	38
Other changes	—	1	1	—	2
Accumulated depreciation and impairment losses at end of the period	—	-276	-758	—	-1,034
Carrying value at end of the period	41	152	217	85	495

Depreciation and amortization 2023, EUR 196 million

Depreciation and amortization 2022, EUR 201 million



Depreciation and amortization by function:

	Year ended Dec 31,	
EUR million	**2023**	**2022**
Cost of goods sold	**-64**	-58
Selling, general and administrative expenses		
Marketing and selling	**-7**	-7
Research and development	**-5**	-4
Administrative	**-120**	-132
Total	**-196**	-201

Table does not include amortization included in share in profits and losses of associated companies, operative investments.

Goodwill impairment testing

At the acquisition date goodwill arising from business acquisitions is allocated to the cash generating unit or cash generating units expected to benefit from the synergies of the combination, irrespective of whether other assets and/or liabilities of the acquiree are assigned to the CGU or CGUs.

In 2023, Valmet has changed the composition of CGUs for 2023 and retrospectively for 2022. The CGU composition has been aligned with Valmet's operating segments following the change in the financial reporting structure in 2022. The new CGUs are Services, Automation and Process Technologies. In 2022, Valmet had identified three CGUs. The first CGU comprised of Valmet's Paper business line and the paper business related part of Valmet's service business. The second CGU comprised of Valmet's Pulp and Energy business line and the pulp and energy related part of Valmet's service business. The third CGU consisted of Valmet's Automation Systems and Flow Control business lines, and has remained unchanged.

The goodwill previously allocated to Paper business line and the paper business related part of Valmet's service business (EUR 366 million at the end of 2022) and Pulp and Energy business line and the pulp and energy related part of Valmet's service business (EUR 386 million at the end of 2022) has been reallocated to Services and Process Technologies based on the relative values of the CGUs.

Valmet assesses the value of its goodwill for impairment annually or more frequently, if facts and circumstances indicate, that a risk of impairment exists. Testing is performed by comparing the carrying value of the CGU to its recoverable amount, which is determined based on a value in use calculation. This calculation uses pre-tax cash flow projections based on financial budgets approved by Valmet's management and Board of Directors covering a five-year period. The terminal values representing the cash flows beyond the five-year period are calculated using the estimated long-term growth rates stated below.

The following table sets out the allocation of goodwill as at December 31, 2023, and 2022, and the key assumptions applied in the value in use calculations. In both financial years, testing was performed as at September 30. Comparative figures have been restated with the new CGU composition.

Allocation of goodwill:

EUR million	As at Dec 31, 2023	2022
Services	**643**	564
Automation	**862**	859
Process Technologies	**231**	188
Total	**1,735**	1,611

Key assumptions applied:

	2023	2022
Long-term growth rate, (%)		
Services	**2.0%**	2.0%
Automation	**2.3%**	2.3%
Process Technologies	**2.1%**	2.0%
Pre-tax discount rate, (%)		
Services	**11.9%**	10.3%
Automation	**11.2%**	9.6%
Process Technologies	**16.8%**	16.0%

The provisional goodwill arising from the acquisition of Körber's business area Tissue, EUR 125 million, has been allocated to Services and Process Technologies CGUs based on how the CGUs are expected to benefit from the combined business, with EUR 86 million allocated to Services and EUR 39 million to Process Technologies.

The key assumptions are based on past performance and management's and Board of Directors' expectations on market development. Assumptions on product mix are in line with the Group's financial targets with stable business growth exceeding that of process technologies business. Profitability margin assumptions are reflecting improvements similarly in line with the Group's financial targets as communicated. External sources are also used to obtain data on growth, demand, and price developments that is used in establishing the assumptions. The discount rate used in testing is derived from the weighted average cost of capital based on comparable peer industry betas and capital structure. The long-term growth rates used for calculating the terminal values are based on Valmet's assessments for the market growth drivers and have been corroborated against the long-term inflation expectations. The assumptions requiring most judgment are the market development and product mix.

As a result of the annual impairment tests, no impairment loss was recognized on goodwill in 2023, or in 2022.

Sensitivity analysis

Valmet's management has assessed that no reasonably possible change in any of the key assumptions would cause any of the CGU's carrying amount to exceed its recoverable amount.

5 | Leases

Accounting policies

Valmet assesses at the inception of a contract whether it is or contains a lease. A contract is considered to contain a lease if it conveys a right to use an either explicitly or implicitly identified asset for a period of time in exchange for consideration. In lease contracts where Valmet is the lessee, a right-of-use asset and a lease liability is recognized at lease commencement date to reflect Valmet's right to use the underlying asset and the unpaid future lease payments respectively.

Lease liability is initially measured at an amount equal to the present value of the future lease payments that are not yet paid at the commencement date. Lease payments are discounted using either the interest rate implicit in the lease or, if the interest rate implicit in the lease cannot be readily determined, Valmet's incremental borrowing rate. As interest rate implicit in the contract is not commonly readily available, incremental borrowing rates reflecting entity-specific factors and lease term are used to calculate the present value of the lease liability. Incremental borrowing rates are estimated based on market prices adjusted with calculated margins representing the entity-specific factors such as credit and country risk.

In subsequent periods the lease liability is measured using the effective interest rate method, and the carrying amount of lease liability is increased with the interest on the lease liability, reduced with the amount of lease payments made, and adjusted to reflect any reassessments or lease modifications made. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset. Variable lease payments not based on index or rate are not included in the liability but are expensed as incurred.

A right-of-use asset is initially measured at cost comprising of the amount of the initial measurement of the lease liability and any lease payments made at or before the commencement date, any initial direct costs incurred by Valmet, and restoration costs, less any lease incentives received. Subsequently, the right-of-use asset is depreciated on a straight-line basis over the shorter of lease term or the useful life of the asset.

Valmet applies exemptions provided by IFRS 16 not to recognize a right-of-use asset and corresponding lease liability for leases with a contract term of 12 months or less, and for leases of low-value assets. The payments for these leases are recognized as an expense on a straight-line basis over the lease term. Further, Valmet separates non-lease components from lease components only for asset classes in which the amount of non-lease components is significant.

Critical accounting estimates and judgments

Valmet has a significant volume of open-ended real estate lease contracts which carry a short notice period only, or which have an initial fixed term but carry extension or termination options. Estimating the likely lease term for these contracts and assessing if the options will be exercised requires significant judgement. When assessing the lease term for these contracts, management considers the relevant facts and circumstances. The likely lease term is typically assessed following the three-year financial forecasts established by management. In case there are specific circumstances in place, such as beneficial market rates, significant leasehold improvements, or other significant direct or indirect costs associated with exiting the lease, lease term can be above three years.

Considering other than real estate leases, the need for assets leased under open-ended contracts is commonly short-term in nature, and as such open-ended contracts where the notice period is 12 months or less are accounted for as short-term leases.

Valmet's leasing activities

Majority of Valmet's lease arrangements concern real estate, vehicles, and machinery and equipment located primarily on Valmet's premises. The length of these lease arrangements is typically 3 to 5 years and contracts may include options to extend the lease.

The below tables present the right-of-use assets recognized in the Consolidated statement of financial position and the movements during the period and the future minimum lease payments as at December 31, 2023.

EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Right-of-use assets total
2023				
Carrying value at beginning of the period	11	80	14	**105**
Translation differences	-1	-1	—	**-2**
Additions	—	34	14	**48**
Acquired in business combinations	—	36	1	**37**
Depreciation	-1	-30	-10	**-40**
Other changes	—	-2	-1	**-3**
Carrying value at end of the period	**10**	**116**	**18**	**145**

EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Right-of-use assets total
2022				
Carrying value at beginning of the period	9	42	13	65
Translation differences	—	-1	—	-1
Additions	3	21	9	32
Acquired in business combinations	—	44	3	46
Depreciation	—	-25	-8	-34
Other changes	—	-2	-2	-3
Carrying value at end of the period	11	80	14	105

EUR million	As at Dec 31, 2023	2022
Not later than 1 year	**44**	35
Later than 1 year and not later than 2 years	**37**	25
Later than 2 years and not later than 3 years	**24**	19
Later than 3 years and not later than 4 years	**14**	10
Later than 4 years and not later than 5 years	**11**	6
Later than 5 years	**39**	15
Total	**169**	110

Lease payments related to short-term leases and leases of low-value assets, as well as variable lease payments that are not based on index or rate, are not included in the lease liability but are recognized as an expense as incurred in either Cost of goods sold or Selling, general and administrative expenses. The below table presents lease payments for such leases. Interest expense related to leases included in Financial expenses is presented in Note 10.

EUR million	Year ended Dec 31, 2023	2022
Expenses related to short-term leases	**-3**	-2
Expenses related to leases of low-value assets	**-7**	-6
Expenses related to variable lease payments not included in lease liabilities	**-1**	-1
Total	**-11**	-9

6 | Net working capital

Payment schedules of large long-term projects have a significant impact on net working capital development.

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 Dec 31, 2023	2022	Impact 2023
Assets included in net working capital			
Non-current trade receivables	**8**	–	**-8**
Other non-current assets	**15**	14	**-2**
Inventories	**1,049**	934	**-114**
Trade receivables	**973**	834	**-139**
Amounts due from customers under revenue contracts	**475**	485	**9**
Derivative financial instruments (assets)	**40**	69	**30**
Other receivables	**257**	223	**-34**
Liabilities included in net working capital			
Employee benefits	**-154**	-132	**23**
Provisions	**-211**	-219	**-8**
Other non-current non-interest-bearing liabilities	**-1**	-1	**—**
Trade payables	**-520**	-442	**78**
Amounts due to customers under revenue contracts	**-1,151**	-1,205	**-53**
Derivative financial instruments (liabilities)	**-46**	-56	**-11**
Other current liabilities	**-544**	-588	**-44**
Total net working capital	**191**	-82	**-273**
Effect of changes in foreign exchange rates			**5**
Remeasurement of defined benefit plans			**-18**
Change in allowance for doubtful receivables and inventory obsolescence provision			**-16**
Acquired in business combinations			**122**
Change in net working capital in the Consolidated statement of cash flows			**-180**

7 | Inventories

Accounting policies

Inventories are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the normal course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Materials and supplies and finished products are valued on a weighted average cost basis or on a first in, first out (FIFO) basis. Work in progress includes costs related to ongoing projects, for which revenue is recognized at a point in time. Work in progress typically includes costs for direct labor and material and allocated overhead costs.

Critical accounting estimates and judgments

Provision for slow-moving and obsolete inventory is based on the best estimate of such amounts at the balance sheet date. The estimate is based on a systematic ongoing review and evaluation of inventory balances. As part of this evaluation, Valmet also considers the composition and age of the inventory compared to anticipated future needs.

Specification of changes in inventory obsolescence provision:

EUR million	2023	2022
Balance at beginning of the period	**55**	36
Translation differences	**-1**	–
Additions charged to profit or loss	**24**	16
Acquired in business combinations	**13**	16
Used reserve	**-12**	-4
Reversal of reserve	**-13**	-9
Balance at end of the period	**67**	55

The cost of inventories recognized as expense was EUR 3,831 million and EUR 3,607 million for the years ended December 31, 2023, and 2022, respectively.

8 | Financial assets and liabilities

Accounting policies

Valmet classifies its financial assets into the following categories: at amortized cost, at fair value through other comprehensive income and at fair value through profit or loss. Measurement category of financial assets is determined based on related business model and contractual cash flow characteristics of a given instrument. Financial assets are derecognized when the contractual rights to cash flows have expired, or the rights to cash flows together with substantially all risks and rewards of ownership, have transferred.

Financial liabilities are classified either at amortized cost or at fair value through profit or loss. Financial liabilities are derecognized when they are extinguished, that is when the obligation specified in the contract is discharged, cancelled or expires.

Financial assets and liabilities are recognized when Valmet becomes party to the contractual provisions of the instrument. Both financial assets and liabilities are presented as non-current when their maturity exceeds 12 months.

Financial assets at amortized cost

The Group's financial assets measured at amortized cost include trade, loan and other receivables together with cash and cash equivalents. These assets are recognized initially at fair value including transaction costs and trade receivables at their transaction price. Subsequently the assets are recognized at amortized cost using the effective interest rate method. Trade receivables are the most significant of these assets, and for them the amortized cost equals to the original amount invoiced to customers, net of allowance for expected credit losses. If extended payment terms exceeding one year are offered to counterparty, the receivable is discounted to present value and interest income is recognized over the credit term.

Valmet evaluates changes in credit risk associated with different financial assets at each reporting date as required by general impairment guidelines set out in IFRS 9. If credit risk has not changed significantly since initial recognition, allowance amounting to expected credit losses for next 12 months is recognized. Should the credit risk have changed significantly, valuation of allowance is based on lifetime expected credit losses.

For trade receivables and contract assets arising from customer contracts for which revenue is recognized over time, simplified impairment model is applied and valuation of allowance is based on lifetime expected credit losses which are recognized at first reporting date. Valmet's application of the simplified impairment model considers historical credit loss experience, time value of money and forward-looking information relevant to estimate future credit losses, and the inputs used in the model are updated on a regular basis. The model applied includes statistical model together with an option to apply case-by-case analysis for significant trade receivables overdue more than 90 days. Final bad debts are written off when official announcement of receivership, liquidation or bankruptcy is received confirming that the receivable will not be honored by the customer. Changes in allowance together with final bad debts are reported under Other operating income and expenses.

Financial assets at fair value through other comprehensive income

Majority of Valmet's financial assets measured at fair value through other comprehensive income (OCI) are interest-bearing financial assets managed centrally by the Group treasury. Business model for these assets involves both holding until maturity and selling before maturity date approaches, depending on prevailing market circumstances and Group treasury's operational requirements. Gains and losses from these assets are recognized in the fair value reserve of Equity and at derecognition these are recycled through OCI to Consolidated statement of income.

Valmet also applies fair value through other comprehensive income option to certain publicly traded equity investments. Change in fair value of the related shares is recognized in the fair value reserve of Equity. Should the investments be divested in the future, any cumulative gain or loss remains in Equity, and is not recycled through OCI to Consolidated statement of income. Fair value of the equity investments classified at fair value through other comprehensive income as at December 31, 2023, was EUR 8 million (EUR 8 million).

Financial assets and liabilities at fair value through profit or loss

The majority of the Group's financial assets and liabilities measured at fair value through profit or loss are derivative financial instruments, for which the related accounting policies are presented in Note 9. Valmet's other equity holdings, excluding publicly traded equity investments, include various industrial participations, shares in real estate holdings and other shares which are measured at fair value through profit or loss. For these other equity ownerships, if reliable market value does not exist, historical cost is considered best available estimate of fair value. Valmet has not voluntarily assigned any financial assets or liabilities to be measured at fair value in addition to items designated to this category mandatorily in accordance with IFRS 9.

Financial liabilities at amortized cost

Valmet's financial liabilities measured at amortized cost consist of loans from financial institutions, lease liabilities and trade payables. Loans from financial institutions are initially recognized at fair value, net of transaction costs incurred. Subsequently these liabilities are measured at amortized cost by using the effective interest rate method. Loans from financial institutions are classified as current liabilities unless Valmet has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Accounting policies for leases are presented in Note 5.

Fair value estimation

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. There have been no transfers between fair value levels.

Level 1

Quoted unadjusted prices at reporting date in active markets. The market prices are readily and regularly available from an exchange, dealer, broker, market data provider, pricing service or regulatory agency. The quoted market price used for financial assets is the current bid price. 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 from an exchange, dealer, broker, market data provider, pricing service or regulatory agency. 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. Level 3 financial instruments include equity investments classified as financial assets at fair value through profit or loss. There were no changes in Level 3 instruments for the 12 months ended December 31, 2023.

Critical accounting estimates and judgments

Under the simplified impairment model applied to trade receivables and contract assets, an allowance amounting to lifetime expected credit losses is recognized at first reporting date. The amount of this allowance is estimated based on a model that considers historical credit loss experience, time value of money and forward-looking information relevant to estimate future credit losses. The inputs used in the model are updated on a regular basis.

Application of the guidance for impairment of financial assets, in particular estimation of future expected credit losses and application of case-by-case analysis to significant trade receivables overdue more than 90 days, requires significant management judgment and includes consideration of available customer and market information. Resulting impairment of financial assets is best estimate based on information available and may differ from the actual result.

Classification of financial assets and liabilities as at December 31:

EUR million	As at Dec 31, 2023	2022
Non-current financial assets		
Equity investments at fair value through other comprehensive income	8	8
Equity investments at fair value through profit or loss	2	2
Loan receivables at fair value through profit or loss	–	–
Trade receivables at amortized cost	8	–
Derivative financial instruments at fair value through profit or loss	–	–
Derivative financial instruments qualified for hedge accounting	12	11
Carrying value at end of the period	**31**	22
Current financial assets		
Interest-bearing financial assets at fair value through other comprehensive income	25	30
Non-interest-bearing financial assets at amortized cost	3	5
Trade receivables at amortized cost	973	834
Derivative financial instruments at fair value through profit or loss	8	8
Derivative financial instruments qualified for hedge accounting	20	50
Cash and cash equivalents at amortized cost	432	277
Carrying value at end of the period	**1,460**	1,205

EUR million	As at Dec 31, 2023	2022
Non-current financial liabilities		
Loans from financial institutions at amortized cost	1,240	555
Lease liabilities at amortized cost	98	63
Derivative financial instruments at fair value through profit or loss[1]	–	–
Derivative financial instruments qualified for hedge accounting[1]	11	7
Carrying value at end of the period	**1,349**	625
Current financial liabilities		
Loans from financial institutions at amortized cost	40	40
Lease liabilities at amortized cost	43	35
Interest-bearing liabilities at amortized cost	63	115
Trade payables at amortized cost	520	442
Derivative financial instruments at fair value through profit or loss	8	15
Derivative financial instruments qualified for hedge accounting	26	35
Carrying value at end of the period	**700**	681

[1] Included in Other non-current liabilities in the Consolidated statement of financial position.

Carrying values presented in the table above approximate fair values, except for the loans from financial institutions where fair value approximates to EUR 1,317 million (EUR 598 million).

Non-current equity investments comprised EUR 8 million listed shares (EUR 8 million) and various industrial participations, shares in real-estate holdings and other shares amounting to EUR 2 million as at December 31, 2023 (EUR 2 million). Current interest-bearing financial assets managed centrally by the Group treasury amounted to EUR 25 million (EUR 30 million).

Valmet manages its cash by investing in financial assets with varying maturities. Interest-bearing financial assets with maturities at the date of acquisition exceeding three months are classified as Other current financial assets and assets with maturities of three months or less are classified as Cash and cash equivalents in the Consolidated statement of financial position. Cash and cash equivalents comprised of cash at bank and in hand of EUR 421 million (EUR 264 million) and other short-term financial assets with maturities of three months or less of EUR 11 million (EUR 13 million) mainly comprising of banker's acceptance drafts and bank deposits. For more information on derivative financial instruments, see Note 9.

Analysis of trade receivables by age:

	As at Dec 31,	
EUR million	**2023**	**2022**
Trade receivables, not due	**625**	591
Trade receivables 1–30 days overdue	**182**	146
Trade receivables 31–60 days overdue	**93**	38
Trade receivables 61–90 days overdue	**32**	18
Trade receivables 91–180 days overdue	**22**	18
Trade receivables more than 180 days overdue	**27**	24
Total	**981**	834

Movement in allowance for trade receivables and contract assets:

EUR million	**2023**	**2022**
Balance at beginning of the period	**21**	19
Translation differences	**-1**	–
Additions charged to profit or loss	**7**	6
Acquired in business combinations	**4**	4
Used reserve	**-3**	-5
Reversals	**-3**	-3
Balance at end of the period	**25**	21

Net debt reconciliation:

	As at Dec 31,	
EUR million	**2023**	**2022**
Cash and cash equivalents	**432**	277
Current interest-bearing financial assets	**25**	30
Loans from financial institutions and other current debt	**1,343**	710
Lease liabilities	**141**	99
Net debt	**-1,027**	-502

	2023				
	Liabilities from financing activities		Other assets		
EUR million	**Loans from financial institutions and other current debt**	**Lease liabilities**	**Cash and cash equivalents**	**Current interest-bearing financial assets**	**Total**
Balance at beginning of the period	710	99	277	30	**-502**
Translation differences	—	-1	-10	2	**-7**
Cash flows	633	-44	165	-7	**-431**
Additions to lease liabilities	—	54	—	—	**-54**
Acquired in business combinations	—	37	—	—	**-37**
Other changes	—	-3	—	—	**3**
Net debt at end the of period	**1,343**	**141**	**432**	**25**	**-1,027**

	2022				
	Liabilities from financing activities		Other assets		
EUR million	**Loans from financial institutions and other current debt**	**Lease liabilities**	**Cash and cash equivalents**	**Current interest-bearing financial assets**	**Total**
Balance at beginning of the period	417	60	517	47	88
Translation differences	—	-1	-4	6	3
Cash flows	-91	-39	-236	-23	-129
Additions to lease liabilities	—	36	—	—	-36
Acquired in business combinations	384	46	—	—	-431
Other changes	—	-3	—	—	3
Net debt at end of the period	710	99	277	30	-502

9 | Derivative financial instruments

Accounting policies

Derivative financial instruments

Derivative financial instruments are used to hedge the Group's exposure to foreign exchange rate, interest rate and commodity price risks arising from operational, investment and financing activities in accordance with Valmet's treasury policy, which is discussed further in Note 21.

Trade date accounting is applied to Group's derivative financial instruments and these are measured at initial recognition and at each reporting date at fair value in balance sheet. Fair value of open derivative contracts is calculated as present value of future cash flows using currency, interest and commodity price quotations at reporting date. The instruments are classified as non-current assets or liabilities when the remaining maturities exceed 12 months and as current assets or liabilities when the remaining maturities are 12 months or less.

When hedge accounting is applied derivatives are designated at inception either as hedges of firm commitments or highly probable forecasted sale and purchase transactions. When hedge accounting criteria are not met derivatives are measured at fair value through profit or loss.

Application of hedge accounting

Valmet has designated certain forward exchange contracts, interest rate swaps, and electricity forward contracts to cash flow hedge accounting relationships. When hedge accounting is applied, relationship between hedging instrument and hedged item is documented, including related risk management strategy and objectives. Both at hedge inception and at each reporting date a forward-looking assessment is performed to ensure that changes in cash flows of the hedging instrument are expected to offset changes in cash flows from the hedged item. When performing this assessment, if critical terms of hedging instrument and hedged item match, economic relationship exists and hedge accounting relationship is considered effective. In Valmet's hedge accounting relationships hedge ratio is 1:1 (i.e. the relationship between the quantity of hedging instrument and quantity of hedged risk in their relative weighting).

For derivatives that have been designated to a cash flow hedge accounting relationship, the effective portion of change in fair value is recognized through other comprehensive income (OCI) in the hedge reserve under Equity and reclassified to profit or loss concurrently with the underlying hedged transaction. The gains or losses relating to the ineffective portion of derivatives hedging operative items (e.g. foreign currency denominated sales and purchase transactions) are reported in profit or loss. Both the ineffective portion and the reclassification from Equity are reported either in Net sales and Cost of goods sold or under Other operating income and expenses on a case-by-case basis. Net loss from foreign exchange related to operative items was EUR -12 million in 2023 (EUR -13 million). Respectively, the ineffective portions of derivatives hedging non-operative items (e.g. interest-bearing financial assets and liabilities, and other items related to Group's funding) are reported under Financial income and expenses in profit or loss. Ineffectiveness arising from application of hedge accounting during the reporting period was insignificant. Should a hedged transaction no longer be expected to occur, any cumulative gain or loss previously recognized under Equity is reclassified through OCI to profit or loss.

When hedging for changes in foreign currency denominated firm commitments or highly probable forecasted sale and purchase transactions, currency component of forward exchange contracts has been designated as hedging instrument in hedge accounting relationships in every case. In addition, based on a case-by-case designation, the interest component of forward exchange contracts can also be designated as hedging instrument in hedge accounting relationships. In cases where interest component is not designated as part of Valmet's hedge accounting relationships, it is recognized in profit or loss.

Valmet has designated all open interest rate swaps as hedging instruments to hedge future changes in cash flows arising from Valmet's floating rate loans from financial institutions. Interest arising from interest rate swaps is reported under Financial income and expenses concurrently with interest expense arising from hedged floating rate loans from financial institutions.

For highly probable forecasted purchases of electricity, the Group has designated system-price component of electricity purchases as hedged risk and electricity forward contracts as hedging instruments to hedge accounting relationships. The realized gains and losses related to effective portion of the electricity forward contracts are recognized in Consolidated statement of income under Cost of goods sold.

Derivatives at fair value through profit or loss

Certain forward exchange contracts and commodity derivatives do not qualify for hedge accounting and change in fair value is recorded through profit or loss. Gains or losses arising from derivatives hedging operative items are recognized case-by-case either in Net sales and Cost of goods sold or in Other operating income and expenses. When the forward exchange contracts hedge exchange rate risk arising from foreign currency denominated non-operative items, gains and losses are recognized in Financial income and expenses in profit or loss.

Critical accounting estimates and judgments

Financial instruments

In accordance with the disclosure requirements on financial instruments, the management is obliged to make certain assumptions of the related future cash inflows and outflows associated with different financial assets and liabilities. Management assumes that the fair values of derivatives, especially fair values of forward exchange contracts, materially reflect the present values of future cash inflows or outflows to be realized from such instruments.

Hedging of foreign currency denominated firm commitments or highly probable forecasted sale and purchase transactions

Under Valmet's treasury policy, all Valmet entities are required to hedge their foreign currency risk when they have become engaged in a firm commitment denominated in a currency different from their functional currency. The commitment can be between Valmet entities or external to Valmet Group. In addition, certain highly probable forecasted sales and purchases are hedged in co-operation with the Group treasury. When revenue for a customer contract is recognized over time, the entity applies cash flow hedge accounting to both foreign currency denominated sales and purchases and recognizes the effect from the hedging instruments in the OCI until the hedged sales and/or purchases are recognized in Consolidated statement of income. Although the exposure hedged by Valmet entities has been clearly defined in Valmet treasury policy, the final realization of the hedged items depends also on factors beyond management's control, which cannot be foreseen when initiating the hedge relationship. Such factors include change in the market environment causing the other party to postpone or cancel the commitment or highly probable forecasted sale or purchase. Management tries to the extent possible to include clauses in the related contracts to reduce the impact of such adverse events to the Consolidated statement of income.

Notional amounts and fair values of derivative financial instruments as at December 31:

EUR million	Notional amount	Fair value, assets	Fair value, liabilities	Fair value, net
2023				
Forward exchange contracts[1]				
Under hedge accounting	2,263	26	-31	-5
Not designated for hedge accounting	931	8	-6	2
Total	3,194	34	-38	-4
Electricity forward contracts[2]				
Under hedge accounting	153	1	-1	—
Nickel commodity swaps[3]				
Not designated for hedge accounting	588	—	-2	-2
Steel scrap commodity swaps[3]				
Not designated for hedge accounting	1,523	—	—	—
Interest rate swaps[1]				
Under hedge accounting	510	5	-5	—
Total		**40**	**-46**	**-6**
Netting fair values of derivative financial instruments subject to ISDAs[4]		-43	43	
Total, net		**-3**	**-2**	**-6**
2022				
Forward exchange contracts[1]				
Under hedge accounting	2,404	43	-41	2
Not designated for hedge accounting	1,111	7	-15	-8
Total	3,515	50	-56	-6
Electricity forward contracts[2]				
Under hedge accounting	169	9	—	9
Nickel commodity swaps[3]				
Not designated for hedge accounting	192	1	—	1
Steel scrap commodity swaps[3]				
Not designated for hedge accounting	1,048	—	—	—
Interest rate swaps[1]				
Under hedge accounting	125	9	—	9
Total		69	-56	13
Netting fair values of derivative financial instruments subject to ISDAs[4]		-45	45	
Total, net		24	-11	13

[1] Notional amount in EUR million.
[2] Notional amount in GWh.
[3] Notional amount in metric tons.
[4] Group's derivatives are carried out under International Swaps and Derivatives Association's Master Agreements (ISDA). In case of an event of default under these Agreements the non-defaulting party may request early termination and set-off of all outstanding transactions. These agreements do not meet the criteria for offsetting in the statement of financial position.

Maturities of financial derivatives as at December 31:

	2024	2025	2026	2027	2028 and later	Total
2023						
Notional amounts						
Forward exchange contracts[1]	**2,840**	**315**	**39**	**—**	**—**	**3,194**
Electricity forward contracts[2]	**92**	**44**	**18**	**—**	**—**	**153**
Nickel commodity swaps[3]	**588**	**—**	**—**	**—**	**—**	**588**
Steel scrap commodity swaps[3]	**1,523**	**—**	**—**	**—**	**—**	**1,523**
Interest rate swaps[1]	**65**	**95**	**160**	**150**	**40**	**510**
Fair values, EUR million						
Forward exchange contracts	**-4**	**1**	**—**	**—**	**—**	**-4**
Electricity forward contracts	**—**	**—**	**—**	**—**	**—**	**—**
Nickel commodity swaps	**-2**	**—**	**—**	**—**	**—**	**-2**
Steel scrap commodity swaps	**—**	**—**	**—**	**—**	**—**	**—**
Interest rate swaps	**—**	**—**	**—**	**—**	**—**	**—**

	2023	2024	2025	2026	2027 and later	Total
2022						
Notional amounts						
Forward exchange contracts[1]	3,289	220	6	—	—	3,515
Electricity forward contracts[2]	120	48	—	—	—	169
Nickel commodity swaps[3]	192	—	—	—	—	192
Steel scrap commodity swaps[3]	1,048	—	—	—	—	1,048
Interest rate swaps[1]	25	—	30	25	45	125
Fair values, EUR million						
Forward exchange contracts	—	-6	—	—	—	-6
Electricity forward contracts	8	1	—	—	—	9
Nickel commodity swaps	1	—	—	—	—	1
Steel scrap commodity swaps	—	—	—	—	—	—
Interest rate swaps	—	—	2	1	6	9

[1] Notional amount in EUR million.
[2] Notional amount in GWh.
[3] Notional amount in metric tons.

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

10 | Financial income and expenses

EUR million	Year ended Dec 31, 2023	2022
Dividends received	—	1
Interest income on financial assets (excl. derivatives)	**14**	8
Net gain from foreign exchange	**3**	3
Interest component from forward contracts	—	4
Financial income total	**17**	15
Interest expenses on financial liabilities measured at amortized cost (excl. leases)	**-36**	-10
Interest expenses on lease liabilities	**-5**	-3
Net interest from defined benefit plans	**-5**	-3
Interest component from forward contracts	**-1**	—
Other financial expenses	**-5**	-4
Financial expenses total	**-52**	-20
Financial income and expenses, net	**-34**	-5

Exchange rate differences included in financial income and expenses:

EUR million	Year ended Dec 31, 2023	2022
Exchange rate differences from interest-bearing financial assets and liabilities, and other items related to Group's funding	**16**	17
Exchange rate differences from derivative financial instruments	**-13**	-14
Net gain or loss from foreign exchange	**3**	3

Interest expenses on financial liabilities at amortized cost (excl. leases) includes interest expenses on interest-bearing loans and interest rate swaps.

11 | Provisions

Accounting policies

A provision is recognized when Valmet has a present legal or constructive obligation as a result of a past event, payment is probable, and Valmet is able to estimate the amount of the obligation reliably. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate or reversed if they are no longer needed. Long-term provisions are discounted to their present value based on the expected timing of cash outflows when the effect of the time value of money is significant.

Warranty provisions

The Group typically issues contractual product warranties under which it generally guarantees the mechanical functioning of equipment delivered during the agreed warranty periods, ranging from 12 to 24 months. The main principle in measuring the warranty provision is to book a certain percentage, based on past experience, of total revenue of a deliverable as a provision for expected warranty work. For sales involving new technology and long-term delivery contracts, additional warranty provision may be established on a case-by-case basis to take into account the potentially increased risk. The actual warranty costs of each project are booked against the warranty provision and thus the remaining warranty provision of each project can be followed.

Actual warranty costs incurred on projects are monitored regularly in order to assess the need for amending the percentage based on which warranty provisions are recognized going forward.

Restructuring provisions

A provision for restructuring costs is recognized only when general recognition criteria for provision are met and after management has prepared and approved a formal plan to which it is committed, and it has raised a valid expectation in those affected by the measures that it will carry out the restructuring by starting to implement that plan or announcing its main features.

The costs included in a provision for restructuring are those costs that are either incremental or incurred as a direct result of the plan or are the result of a continuing contractual obligation with no continuing economic benefit to Valmet or a penalty incurred to cancel the contractual obligation. Restructuring and capacity adjustment expenses are recognized in either Cost of goods sold or Selling, general and administrative expenses depending on the nature of the expense. Restructuring costs can also include other costs incurred as a result of a restructuring plan, which are recorded under Other operating income and expenses, such as asset impairment charges.

Provisions for onerous contracts

A provision for an onerous contract is recognized when the Group has a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is either the cost of fulfilling contractual obligations or penalties arising from the failure to fulfil those obligations.

Other provisions

Other provisions include provisions related to environment, personnel, legal and tax related processes. These provisions are recognized when general provision recognition criteria are met.

Critical accounting estimates and judgments

The amount recognized as a provision is the best estimate of the expenditure required to settle the obligation at the reporting day, taking into account related risks and uncertainties, management judgment supplemented by experience with similar transactions and future events when there is sufficient evidence that they will occur and affect the amount of payment.

Under contractual warranty clauses, Valmet generally guarantees the performance of products delivered for a certain warranty period. The warranty provision is based on historical realized warranty costs for deliveries of standard products. The warranty period typically commences from the date of customer acceptance of the delivered equipment. For more complex contracts, including long-term projects, the warranty reserve is calculated contract by contract and updated regularly to ensure its appropriateness.

Provisions for restructuring costs are recognized when the requirements for recognition are satisfied. For reasons beyond the control of management the final costs may differ from the initial amount for which the provision has been established.

Valmet recognizes a provision for losses associated with environmental remediation obligations when such losses are probable, and a reliable estimate of amounts can be made. Following initial recognition, the amount of provision is adjusted later if further information is obtained or circumstances change.

Specification of changes in provisions:

	2023				
EUR million	Warranty provisions	Restructuring provisions	Provisions for onerous contracts	Other provisions	Total
Balance at beginning of the period	190	5	18	6	**219**
Translation differences	—	—	—	—	**-1**
Additions charged to profit or loss	91	8	15	3	**118**
Acquired in business combinations	3	4	—	1	**7**
Used reserve	-67	-3	-4	—	**-75**
Reversal of reserve	-48	—	-9	—	**-57**
Balance at end of the period	**169**	**14**	**19**	**9**	**211**
Non-current	35	3	—	4	**42**
Current	134	11	19	5	**169**

Provisions for expected contract losses relate primarily to long-term projects. The Group did not have material environmental or product liabilities as at December 31, 2023, or December 31, 2022.

12 | Other current liabilities

	As at Dec 31,	
EUR million	**2023**	**2022**
Accrued personnel costs	**224**	210
Accrued project costs	**115**	103
Accrued interest	**14**	4
Other payables	**206**	274
Other current liabilities total	**558**	591

The maturity of payables is largely determined by local trade practices and individual agreements between Valmet and its suppliers and rarely exceeds six months. Accrued personnel costs, which include holiday pay, are settled in accordance with local laws and stipulations.

13 | Personnel expenses and number of personnel

Personnel expenses:

	Year ended Dec 31,	
EUR million	**2023**	**2022**
Salaries and wages	**-1,013**	-913
Pension costs, defined contribution plans	**-98**	-87
Defined benefit plan costs[1]	**-4**	-7
Other post-employment benefits	**-11**	-9
Share-based payments[2]	**-7**	-7
Other indirect employee costs	**-159**	-148
Total	**-1,292**	-1,171

[1] For more information, see Note 15.
[2] For more information, see Note 14.

Number of personnel:

	2023	**2022**
Personnel at end of the period	**19,160**	17,548
Average number of personnel during the period	**18,130**	16,554

14 | Share-based payments

Accounting policies

Valmet's share-based incentive plans are part of the remuneration and retention program for Valmet's key personnel. In majority of jurisdictions where key employees participating in the Group's long-term incentive (LTI) plans reside, Valmet has an obligation to withhold an amount for the key employee's tax obligations associated with the share-based payment rewards, and transfer that amount directly to the tax authorities on the key employee's behalf. Thus, the arrangements carry net settlement feature and both equity and cash settled portions of the plans are accounted for against equity.

Non-market vesting conditions, such as Comparable EBITA as a percentage of net sales, and orders received growth in the stable business, are used for calculating the number of shares related to Group's LTI plans that are expected to vest. These estimates are revised at the end of each reporting period and impact of the revision to previous estimate is recognized through profit or loss with corresponding adjustment to equity.

The compensation expense for the shares is recognized as an employee benefit expense evenly during the required service period whereas the compensation expense resulting from the cash portion is recognized as an employee benefit expense on accrual basis between grant and payment date. Valuation of the related expenses is based on number of shares expected to vest, remaining vesting period at the reporting date and Valmet's closing share price as at the grant date.

Granted share amounts of the share-based incentive plans, as rounded to thousands:

	Plan 2021–2023	Plan 2022–2024	Plan 2023– 2025
2023			
At beginning of the period	46,000	220,000	–
Maximum number of shares to be granted	-4,000	-2,000	412,000
Changes due to achievement criteria	–	-2,000	-209,000
Actual number of shares granted	–	-185,000	–
Shares returned by plan participants	2,000	–	–
Shares transferred to treasury shares	-2,000	–	–
At end of the period	**42,000**	**31,000**	**203,000**

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

The Board of Directors of Valmet Oyj decided in December 2020 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 Valmet's Executive Team and the Deferred Share Plan is directed to other key employees in management positions, and management talents.

The Performance Share Plan includes a three-year performance period parallel to a one-year performance period. The Deferred Share Plan includes 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.

In case the rewarded shares are paid after the one-year performance period from both the Performance Share Plan and the Deferred Share Plan those may not be transferred during a two-year restriction period. Should a key employee's employment or service end during the restriction period, he or she must, as a rule, gratuitously return the shares given as reward to the Company. As a rule, no reward is paid if the key employee's employment or service at Valmet ends before the reward payment. The earning under the Performance Share Plan is limited by a pay cap determined by the Board of Directors in order to avoid unexpectedly high pay-outs resulting from share price volatility.

The Board has the right to cancel the reward or recollect paid rewards that are subject to the Transfer Restriction, fully or partly, if the LTI plan participant has acted against the law or against the ethical guidance of the Company or otherwise unethically. Additionally, the Board has the right to recollect paid rewards after the plan has ended if the LTI plan participant has caused a misstatement of the information based on which the reward was paid.

The below tables summarize the key attributes of the long-term incentive plans that existed during the current or previous period:

Performance Share Plans and Deferred Share Plans:

	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	10	14	12
Deferred Share Plan	102		125	
Total gross number of shares earned	Approximately 355,000 shares	Approximately 42,000 shares	Approximately 185,000 shares	Approximately 31,000 shares
Valmet's closing share price as at the grant date	26.51	26.51	33.63	33.63
Vesting period	February 2021 to March 2024	February 2021 to March 2024	February 2022 to March 2025	February 2022 to March 2025

	Long-term incentive plans 2023–2025		Long-term incentive plans 2024–2026	
Plan name	Performance Share Plan and Deferred Share Plan	Performance Share Plan	Deferred Share Plan	Performance Share Plan
Performance period	2023	2023–2025	2024	2024, 2024–2026
Incentive based on	Comparable EBITA as a percentage of net sales, and orders received growth in the stable business	Development of a valuation multiple of Valmet's share in comparison to peer group	Comparable EBITA as a percentage of net sales, and orders received growth in the stable business	Comparable EBITA as a percentage of net sales, and orders received growth in the stable business Development of a valuation multiple of Valmet's share in comparison to peer group
Reward payment	In spring 2024	In spring 2026	In spring 2025	In spring 2027
Participants				
Performance Share Plan	15	14		14
Deferred Share Plan	128		~200	
Total gross number of shares earned	As at December 31, 2023, approximately 365,000 shares were allotted to participants.	As at December 31, 2023, approximately 48,000 shares were allotted to participants.	The rewards to be paid will correspond to a maximum total of approximately 683,000 Valmet shares	
Valmet's closing share price as at the grant date	28.77	28.77		
Vesting period	February 2023 to March 2026	February 2023 to March 2026	February 2024 to March 2027	February 2024 to March 2027

Restricted shares pool

As part of total remuneration, for example for retention purposes, the Board of Directors decided on an additional incentive element in December 2018, the restricted shares pool, from which shares can be granted to selected key employees. Restricted share pools are intended to be annually commencing, and the annual restricted shares pool is subject to separate approval by the Board of Directors. In 2023, 1,450 shares were allocated from the restricted shares pool. In 2024, a maximum of 101,240 Company shares can be allocated to possible participants in the restricted shares pool. As a rule, the restriction period for these shares is three years. Plan nominations as well as detailed terms of allocation will be proposed by the President and CEO to the Chairman of the Board of Directors for approval. A precondition for the payment of the share reward based on the restricted shares pool is that a threshold Valmet Comparable EBITA is exceeded and that the employment relationship of the individual participant with Valmet continues until the payment date of the reward.

Share ownership recommendation

To recognize and highlight the importance and value of having the members of Valmet's Executive Team own and hold Company shares, the Board of Directors has approved in December 2017 a share ownership recommendation for Valmet's Executive Team members. All members of Valmet's Executive Team are recommended to own and hold Company shares equaling to their gross annual base salary (100 percent ownership recommendation).

Costs recognized for the share ownership plans

The compensation expense for the shares is recognized as an employee benefit expense evenly during the required service period with corresponding entry in equity. The compensation expense resulting from the cash portion is recognized as an employee benefit expense on accrual basis between grant and payment date with a corresponding entry made to equity. Valuation of the related expenses is based on number of shares expected to vest, remaining vesting period at the reporting date and Valmet's closing share price as at the grant date.

Costs arising from share-based payments plans:

	Year ended Dec 31,	
EUR thousand	**2023**	**2022**
Plan 2018–2020	**–**	-553
Plan 2021–2023	**-1,973**	-2,757
Plan 2022–2024	**-1,915**	-3,524
Plan 2023–2025	**-2,770**	–
Total	**-6,657**	-6,834

15 | Employee benefit obligations

Accounting policies

Pensions and coverage of pension liabilities

Valmet has various employee benefit schemes in place in line with local regulations and practices in countries in which Valmet operates. In certain countries, the schemes involve defined benefit plans with retirement, disability, death, and other post-retirement benefits, such as health benefits, and termination income benefits. Defined benefit plans are post-employment benefit plans other than defined contribution plans. In defined benefit plans the benefits are usually based on the number of service years and the salary levels of the final service years. The schemes are generally funded through payments to insurance companies or to trustee-administered funds as determined by periodic actuarial calculations.

In addition, certain entities within Valmet Group have multiemployer pension arrangements classified as defined contribution plans. The contributions to defined contribution plans and to multi-employer and insured plans are charged to profit or loss concurrently with the payment obligations. In defined contribution plans, the Group pays fixed contributions into a separate entity and the Group will have no legal or constructive obligation to pay further contributions.

In the case of defined benefit plans, the net defined benefit liability recognized from the plan is the present value of the defined benefit obligation as at end of the reporting period, reduced by the fair value of the plan assets. Independent actuaries calculate the defined benefit obligation by applying the projected unit credit method under which the estimated future cash flows are discounted to their present value using a duration specific discount rate. The cost of providing pension and other employee benefits is charged to profit or loss concurrently with the service rendered by the employees. The service cost is recorded as part of personnel expenses in profit or loss and the net interest is recorded under financial income and expenses. Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions and actual return on plan assets (excluding interest income on plan assets) are recognized through OCI into equity.

The acquisition of former Neles plans have been recognized as a transfer in amount as of April 1, 2022 and fresh start approach has been adopted, i.e., no historical figures have been reported. To the former Neles plans, service cost and net interest have been determined for the period of April 1 to December 31, 2022.

Critical accounting estimates and judgments

The benefit expense and liabilities arising from defined benefit arrangements are calculated based on assumptions that include the following:

- The discount rates used to discount employee benefit obligations (both funded and unfunded): These rates are determined by reference to market yields at the end of the reporting period on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields (at the end of the reporting period) on government bonds have been used. The currency and term of the corporate bonds or government bonds are consistent with the currency and duration of the post-employment benefit obligations.
- Estimated rates of future pay increases, which include general pay rise expectations as well as merit increases. Actual increases may not reflect estimated future increases.

Due to the significant uncertainty of the global economy, these estimates are difficult to project.

Amounts recognized in the Consolidated statement of financial position:

	As at Dec 31,					
	2023			2022		
EUR million	Funded	Unfunded	Total	Funded	Unfunded	Total
Present value of funded obligation	214	—	**214**	216	—	216
Fair value of plan assets	-220	—	**-220**	-216	—	-216
Net surplus (-) / deficit (+) of funded plans	-6	—	**-6**	—	—	—
Present value of unfunded obligation	—	152	**152**	—	124	124
Asset (-) / liability (+)	**-6**	**152**	**146**	—	124	124
Amounts in the Consolidated statement of financial position						
Liabilities	3	152	**154**	8	124	132
Assets	9	—	**9**	7	—	7
Net liability	**-6**	**152**	**146**	—	124	124

Amounts recognized in the Consolidated statement of income:

	Year ended Dec 31,					
	2023			2022		
EUR million	**Funded**	**Unfunded**	**Total**	**Funded**	**Unfunded**	**Total**
Employer's current service cost	2	2	**4**	2	4	7
Net interest on net surplus / deficit	—	5	**5**	—	3	3
Settlements	—	—	**—**	—	1	—
Total expenses	**1**	**7**	**9**	2	8	10

Changes in the present value of the defined benefit obligation:

	2023			2022		
EUR million	**Funded**	**Unfunded**	**Total**	**Funded**	**Unfunded**	**Total**
Present value of obligation at beginning of the period	216	124	**340**	203	172	375
Other adjustments	—	—	**—**	—	1	1
Acquired in business combinations	—	5	**5**	66	13	79
Employer's current service cost	2	2	**4**	2	5	7
Interest expense	10	5	**15**	7	3	10
Liabilities extinguished on settlements	—	—	**—**	-3	—	-3
Actuarial gain (-) / loss (+) due to change in financial assumptions	7	12	**19**	-61	-64	-124
Actuarial gain (-) / loss (+) due to change in demographic assumptions	—	1	**1**	—	-1	-1
Actuarial gain (-) / loss (+) due to experience	1	7	**8**	3	8	11
Benefits paid from the arrangements	-14	—	**-15**	-14	—	-14
Benefits paid directly by employer	—	-5	**-6**	—	-5	-6
Translation differences	-7	1	**-6**	12	-9	3
Present value of defined benefit obligation at end of the period	**214**	**152**	**366**	216	124	340
- of which related to active members			**127**			109
- of which related to deferred members			**51**			49
- of which related to pensioner members			**187**			181

Changes in the fair value of the plan assets during the period:

	2023			2022		
EUR million	**Funded**	**Unfunded**	**Total**	**Funded**	**Unfunded**	**Total**
Fair value of plan assets at beginning of the period	216	—	**216**	188	—	188
Other adjustments to the fair value of assets	-1	—	**—**	-3	—	-3
Acquired in business combinations	—	—	**—**	76	—	76
Interest income on assets	10	—	**10**	7	—	7
Return on plan assets excluding interest income	9	—	**9**	-56	—	-56
Employer contributions	6	—	**6**	6	—	6
Benefits paid from the arrangements	-14	—	**-15**	-14	—	-14
Translation differences	-7	—	**-7**	12	—	12
Fair value of plan assets at end of the period	**220**	**—**	**220**	216	—	216

Remeasurement of the net defined benefit liability / asset reported in other comprehensive income:

	Year ended Dec 31,					
	2023			2022		
EUR million	Funded	Unfunded	Total	Funded	Unfunded	Total
Experience gain (-) / loss (+) on assets	-9	—	**-9**	56	—	56
Actuarial gain (-) / loss (+) on liabilities due to change in financial assumptions	7	12	**19**	-61	-63	-124
Actuarial gain (-) / loss (+) on liabilities due to change in demographic assumptions	—	1	**1**	—	-1	-1
Actuarial gain (-) / loss (+) on liabilities due to experience	1	7	**8**	3	8	11
Translation differences	—	—	**—**	—	—	—
Total gain (-) / loss (+)	**-2**	**20**	**18**	-2	-57	-58

The major categories of plan assets as a percentage of total plan assets of Valmet's defined benefit plans:

	2023			2022		
As at Dec 31	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Equities	20%	—	**20%**	21%	—	21%
Bonds	69%	—	**69%**	68%	—	68%
Other	1%	10%	**11%**	2%	10%	11%
Total	**90%**	**10%**	**100%**	90%	10%	100%

At December 31, 2023, there were no plan assets invested in affiliated companies or property occupied by affiliated companies.

The principal actuarial assumptions used to determine the defined benefit obligation (expressed as weighted averages):

	2023			2022		
As at Dec 31	Funded	Unfunded	All plans	Funded	Unfunded	All plans
Discount rate	4.7%	3.6%	**4.3%**	5.0%	4.1%	4.7%
Salary increase	2.0%	2.9%	**2.4%**	2.0%	2.9%	2.3%
Pension increase	1.2%	2.0%	**1.5%**	1.2%	2.0%	1.5%
Medical cost trend rates	—	4.5%	**4.5%**	—	4.8%	4.8%

The weighted average life expectancy used for the major defined benefit plans:

	Life expectancy at age 65 for a male participant currently aged 65		Life expectancy at age 65 for a female participant currently aged 65	
Expressed in years	2023	2022	2023	2022
Sweden	**22**	22	**24**	24
Canada	**22**	22	**24**	24
USA	**21**	21	**23**	23
Finland	**21**	21	**26**	26

	Life expectancy at age 65 for a male participant currently aged 45		Life expectancy at age 65 for a female participant currently aged 45	
Expressed in years	2023	2022	2023	2022
Sweden	**24**	24	**26**	26
Canada	**23**	23	**25**	25
USA	**22**	22	**24**	24
Finland	**24**	24	**28**	28

Life expectancy is allowed for in the assessment of the defined benefit obligation using mortality tables, which are generally based on experience within the country in which the arrangement is located, with in many cases an allowance made for anticipated future improvements in longevity.

Sensitivity analysis on present value of the defined benefit obligation:

	As at Dec 31,					
	2023			2022		
EUR million	**Funded**	**Unfunded**	**Total**	**Funded**	**Unfunded**	**Total**
Discount rate						
Increase of 0.25%	-5	-6	**-11**	-5	-5	-10
Decrease of 0.25%	5	6	**12**	5	5	10
Salary increase rate						
Increase of 0.25%	—	4	**4**	—	3	3
Decrease of 0.25%	—	-3	**-4**	—	-3	-3
Pension increase rate						
Increase of 0.25%	1	4	**5**	1	2	3
Decrease of 0.25%	-1	-4	**-4**	—	-3	-4
Medical cost trend						
Increase of 1%	—	—	**—**	—	—	—
Decrease of 1%	—	—	**—**	—	-1	-1
Life expectancy						
Increase of one year	6	5	**12**	6	4	10
Decrease of one year	-6	-5	**-12**	-6	-5	-11

The table above presents the changes in the value of the defined benefit obligation when major assumptions are changed while holding the others constant.

Weighted average duration of the defined benefit obligation:

	2023			2022		
Expressed in years	**Funded**	**Unfunded**	**All plans**	**Funded**	**Unfunded**	**All plans**
As at December 31	10	18	**13**	9	17	12

Valmet sponsors both defined contribution and defined benefit arrangements. Valmet operates various defined benefit pension and other long-term employee benefit arrangements pursuant to local conditions, practices and collective bargaining agreements in the countries in which it operates. The majority of Valmet's defined benefit liabilities relate to arrangements that are funded through payments to either insurance companies or to independently administered funds based on periodic actuarial calculations. Other arrangements are unfunded with benefits being paid directly by Valmet as they fall due. All arrangements are subject to local tax and legal restrictions in their respective jurisdictions. Valmet's defined benefit arrangements in the USA, Canada and Sweden together represent 85 percent of Valmet's defined benefit obligation and 90 percent of its pension assets. These arrangements provide income in retirement, which is substantially based on salary and service at or near retirement.

In the USA and Canada annual valuations are carried out to determine whether cash funding contributions are required in accordance with local legislation.

Defined benefit pension arrangements in Sweden are offered in accordance with collective labor agreements and are unfunded. The liability recorded on Valmet's balance sheet and cash contributions to funded arrangements are sensitive to the assumptions used to measure the liabilities, the extent to which actual experience differs to the assumptions made and the returns on plan assets. Therefore, Valmet is exposed to the risk that balance sheet liabilities and/or cash contributions increase based on these influences.

Assets of Valmet's funded arrangements are managed by external fund managers. The allocation of assets is reviewed regularly by those responsible for managing Valmet's arrangements based on local legislation, professional advice and consultation with Valmet, based on acceptable risk tolerances.

The expected contributions to defined benefit type arrangements in 2024 are EUR 0.8 million in respect of Finnish plans and EUR 10 million in respect of foreign plans. Valmet paid contributions of EUR 98 million (EUR 87 million) to defined contribution arrangements during 2023.

16 | Income taxes

Accounting policies

Tax expense in the profit or loss comprises current and deferred taxes. Taxes are recognized in profit or loss, except when they are associated with items recognized in Consolidated statement of comprehensive income or directly in equity.

Current taxes are calculated on the taxable income on the basis of the tax rates enacted or substantively enacted for each country as at the balance sheet date. Additionally, non-recoverable foreign taxes on financing transactions or transactions with shareholders that are not based on taxable profits are reported in Current tax expenses. Non-recoverable withholding taxes and foreign taxes on operative items are reported in Other operating income and expenses. These non-recoverable foreign taxes include, for example, taxes paid that are not creditable based on applicable Double Tax Treaty. Taxes are adjusted for taxes of prior financial periods, if applicable. Interest calculated for the unpaid tax amounts is reported under Financial expenses.

Management evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. The tax provisions recognized in such situations are based on evaluations by management on the probability that the items subject to interpretation reported to tax authorities can be substantiated on examination.

Deferred taxes are calculated on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred taxes have been calculated using the statutory tax rates or the tax rates enacted or substantively enacted as at reporting date. Deferred tax assets are only recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

The most significant temporary differences arise from differences in revenue recognition methods applied for tax purposes, depreciation differences relating to property, plant and equipment, treatment of costs arising from defined benefit pension plans, provisions deductible at a later date, fair value measurement of assets and liabilities in connection with business combinations and unused tax losses. Deferred taxes are not recognized on initial recognition of an asset or liability in a transaction other than a business combination that does not affect accounting or tax profit and does not give rise to equal taxable and deductible temporary differences. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The legislation implementing the OECD Pillar Two model rules was enacted in Finland in 2023 and will come into effect from January 1, 2024, onwards. Valmet applies the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

Since the Pillar Two legislation was not effective at the reporting date, no current tax exposure related to Pillar Two taxes exists at December 31, 2023. Valmet is in the process of assessing its exposure to the Pillar Two legislation for when it comes into effect. This assessment indicates that Pillar Two legislation is not expected to have a material impact on Valmet's income taxes.

Critical accounting estimates and judgments

Deferred tax assets and liabilities are recognized for temporary differences. They are expected to be realized through the income statement over extended periods of time in the future. Valmet management has made certain assumptions regarding future tax consequences and used certain estimates when calculating differences between carrying amounts of assets and liabilities and their tax bases. Key assumptions underlying tax calculations include, e.g., likelihood that recoverability periods for tax loss carryforwards will not change, and that existing tax laws and rates remain unchanged into foreseeable future. At each balance sheet date deferred tax assets are assessed for recoverability and when circumstances indicate that it is no longer probable that deferred tax assets can be recovered, balances are reduced to their recoverable amounts.

Liabilities and assets are recognized with respect to income tax amounts management is expecting to pay and recover, respectively. Management has chosen not to discount non-current tax balances. Valmet entities are subject to tax audits on an ongoing basis. Complex and constantly changing regulations in multiple jurisdictions where Valmet operates create uncertainties relating to tax obligations towards authorities. Changes in the tax authorities' interpretations could have unfavorable impact on Valmet's financials.

The differences between income tax expense computed at the Finnish statutory rate (20 percent in 2023 and 2022) and income tax expense recognized in profit or loss are shown in the table below.

	Year ended Dec 31,	
EUR million	**2023**	**2022**
Profit before taxes	**473**	431
Taxes calculated according to tax rate in Finland	**-95**	-86
Impact of changes in tax rates	**—**	-1
Income tax for prior years	**5**	1
Effect of different tax rates in foreign subsidiaries	**-14**	-16
Utilization of tax losses carried forward	**—**	1
Non-recoverable foreign taxes	**-12**	-3
Effect of tax-free income and non-deductible expenses[1]	**-1**	9
Other	**2**	2
Income tax expense	**-114**	-94
Effective tax rate, (%)	**24.2%**	21.7%
Effective tax rate, (%) excluding income tax for prior years	**25.2%**	21.9%

[1] Includes in 2022 the effect from the tax-free gain of EUR 59 million from remeasurement of Valmet's previously held equity interest in Neles.

Tax effects of components in other comprehensive income:

	Year ended Dec 31,					
	2023			2022		
EUR million	**Before taxes**	**Tax**	**After taxes**	**Before taxes**	**Tax**	**After taxes**
Gains and losses on cash flow hedges	-12	2	**-10**	-4	1	-3
Change in fair value reserve	—	—	**—**	-2	—	-1
Remeasurement of defined benefit plans	-18	3	**-15**	58	-12	47
Currency translation on subsidiary net investments	-21	—	**-21**	-4	—	-4
Total comprehensive income for the period	**-52**	**6**	**-46**	48	-10	38
Deferred tax	—	6	—	—	-10	—
Total	**—**	**6**	**—**	—	-10	—

Reconciliation of deferred tax balances:

EUR million	Balance at beginning of the period	Translation differences	Change in accounting principles[2]	Charged to income statement	Charged to other comprehensive income	Acquired in business combination	Balance at end of the period
2023							
Deferred tax assets							
Tax losses carried forward	6	—	—	—	—	—	**5**
Fixed assets	11	—	—	-2	—	—	**8**
Leases	23	—	—	-1	—	9	**31**
Inventory	13	—	—	—	—	4	**16**
Provisions	37	—	—	4	—	1	**41**
Accruals	4	—	—	1	—	7	**11**
Employee benefits	5	—	—	-4	4	1	**6**
Other	23	—	—	6	-2	1	**28**
Total deferred tax assets	**121**	**-1**	**—**	**3**	**3**	**23**	**148**
Offset against deferred tax liabilities[1]	-60						**-59**
Net deferred tax assets	**60**						**90**
Deferred tax liabilities							
Purchase price allocations	261	-1	—	-16	—	48	**292**
Fixed assets	9	—	—	—	—	1	**9**
Leases	24	—	—	—	—	9	**33**
Other	5	—	—	—	-3	5	**7**
Total deferred tax liabilities	**299**	**-1**	**—**	**-17**	**-3**	**64**	**341**
Offset against deferred tax assets[1]	-60						**-58**
Net deferred tax liabilities	**238**						**283**
2022							
Deferred tax assets							
Tax losses carried forward	4	—	—	-1	—	3	6
Fixed assets	9	—	—	1	—	1	11
Leases	1	—	12	—	—	10	23
Inventory	4	—	—	—	—	9	13
Provisions	30	—	—	4	—	2	37
Accruals	2	—	—	1	—	1	4
Employee benefits	21	-1	—	-3	-11	—	5
Other	5	—	—	6	3	9	23
Total deferred tax assets	77	-1	12	6	-8	34	121
Offset against deferred tax liabilities[1]	-11						-60
Net deferred tax assets	66						60
Deferred tax liabilities							
Purchase price allocations	74	1	—	-10	—	195	261
Fixed assets	4	—	—	—	—	5	9
Leases	1	—	14	—	—	9	24
Other	1	—	—	-2	2	4	5
Total deferred tax liabilities	80	2	14	-12	2	213	299
Offset against deferred tax assets[1]	-11						-60
Net deferred tax liabilities	69						238

[1] Deferred tax assets and liabilities are offset when there is legally enforceable right to offset tax assets against tax liabilities and when the deferred income taxes relate to the same fiscal authority.

[2] Impact arising from implementation of amendments to IAS 12 Income Taxes on deferred tax related to assets and liabilities arising from a single transaction in 2022.

A deferred tax liability on undistributed profits of Valmet's legal entities located in countries where distribution generates tax consequences is recognized when it is likely that earnings will be distributed in the near future. For the years ended December 31, 2023, and 2022, earnings of EUR 57 million and EUR 46 million, respectively, would have been subject to recognition of a deferred tax liability, had Valmet regarded a distribution in the near future as likely. A deferred tax asset is recognized for tax loss carryforwards to the extent that the realization of the related tax benefit through future taxable profits is probable. There were no material tax loss carryforwards for which a deferred tax asset had not been recognized. Valmet has tax loss carryforwards of EUR 9 million (EUR 9 million) that will expire within the following five years.

17 | Equity

Share capital and number of shares

	2023	2022
Share capital at end of the period, EUR	**140,000,000**	140,000,000
Number of shares at end of the period	**184,529,605**	184,529,605
Treasury shares at end of the period	**368,500**	344,775
Shares outstanding at end of the period	**184,161,105**	184,184,830
Average number of shares outstanding during the financial year	**184,151,827**	175,617,981

Valmet Oyj has one series of shares. The shares of Valmet Oyj do not have a nominal value.

Treasury shares

As at December 31, 2023, Valmet Oyj held 368,500 (344,775) of its own shares. These shares have been acquired through purchase on the Helsinki Stock Exchange (Nasdaq Helsinki Ltd). The total amount paid to acquire Valmet's own shares during the reporting period, including transaction costs, was EUR 4 million (EUR 5 million) and it has been deducted from Retained earnings in Equity. Own shares have been acquired for the purposes of Valmet's long-term incentive plans.

Dividends

The Board of Directors proposes that a dividend of EUR 1.35 per share will be paid out based on the Consolidated statement of financial position to be adopted for the financial year ended December 31, 2023, and that the remaining part of the Retained earnings will be carried forward in Valmet Oyj's unrestricted equity. These financial statements do not reflect this dividend payable of EUR 249 million.

In compliance with the resolution of the Annual General Meeting, Valmet paid out dividend of EUR 239 million for 2022, corresponding to EUR 1.30 per share. The dividend was paid in two installments, both corresponding to EUR 0.65 per share. The first installment, EUR 120 million was paid on April 5, 2023. The second installment, EUR 120 million was paid on October 12, 2023.

Reserve for invested unrestricted equity

Reserve for invested unrestricted equity includes other equity-related investments and share subscription prices to the extent not designated to be included in share capital. The reserve for invested non-restricted equity fund in Valmet's Consolidated statement of financial position consists of the fund held by the parent company Valmet Oyj.

Hedge and other reserves

Hedge reserve includes effective portion of fair value movements related to derivative financial instruments, which qualify for hedge accounting.

Fair value reserve includes the change in fair values of interest-bearing financial assets classified as fair value through other comprehensive income.

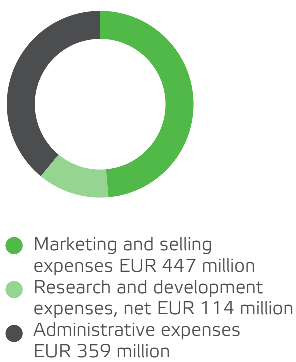
Legal reserve consists of restricted equity, which has been transferred from distributable funds under the Articles of Association, local company law or by a decision of the shareholders.

Cumulative translation adjustments

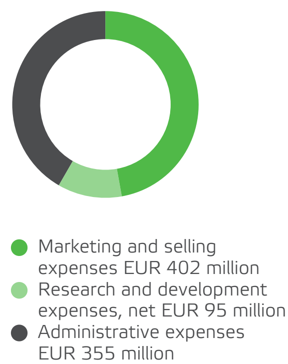
Cumulative translation adjustments consist of currency translation differences, which relate to translation of foreign operations from their functional currencies to Valmet Group's reporting currency euro.

18 | Selling, general and administrative expenses

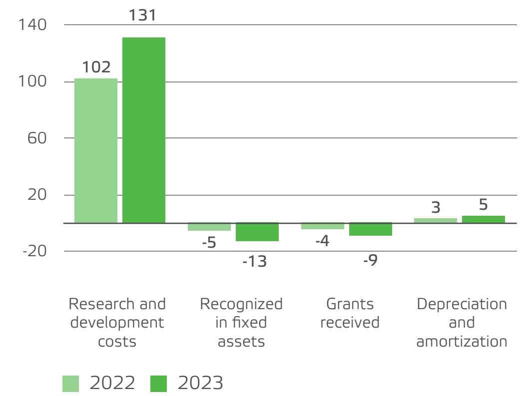
Selling, general and administrative expenses 2023, EUR 920 million



Selling, general and administrative expenses 2022, EUR 852 million



Research and development expenses, EUR million



19 | Other operating income and expenses

EUR million	Year ended Dec 31, 2023	2022
Gain on sale of fixed assets	**4**	1
Reversal of allowance for doubtful receivables and contract assets	**4**	4
Net gain from foreign exchange	**3**	—
Interest component from forward contracts	**4**	—
Commodity derivatives	**—**	1
Gain from remeasurement of Valmet's previously held equity interest in Neles	**—**	59
Insurance compensation[1]	**34**	22
Post-acquisition period remeasurement of contingent consideration	**—**	2
Income related to tax and customs duty adjustments	**2**	2
Other income	**12**	10
Other operating income, total	**64**	100
Loss on sale of fixed assets	**-1**	—
Impairment of fixed assets and right-of-use assets	**-2**	-4
Net loss from foreign exchange	**—**	-9
Interest component from forward contracts	**—**	-1
Commodity derivatives	**-5**	—
Non-recoverable foreign taxes	**-12**	-8
Allowance for doubtful receivables and contract assets	**-7**	-7
Other expenses	**-8**	-6
Other operating expenses, total	**-36**	-36
Other operating income and expenses, net	**28**	64

[1] Insurance compensation mainly (EUR 34 million in 2023 and EUR 21 million in 2022) relates to income compensating the costs of fire that happened in May 2022 at Valmet's Rautpohja factory site in Jyväskylä. The outstanding receivable towards the insurance company as at 31 December 2023 is EUR 32 million (EUR 11 million in 2022). Only the compensation for the damages and losses that have been considered virtually certain based on the insurance terms have been booked as income and receivable. Judgement has been used and prudence has been followed in the assessment. Valmet has received a total of EUR 23 million as interim cash payments in 2022 and 2023.

Exchange rate differences included in Other operating income and expenses:

	Year ended Dec 31,	
EUR million	**2023**	**2022**
Exchange rate differences from trade receivables and payables	**-15**	2
Exchange rate differences from derivative financial instruments	**18**	-11
Net gain/loss from foreign exchange	**3**	-9

20 | Business combinations

Acquisition of NovaTech Automation's Process Solutions business

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

The acquired business specializes in process control and optimization solutions for batch, continuous and hybrid processes. It serves customers mainly in process industries such as food and beverage, pharmaceuticals and chemical products. It had net sales of approximately USD 18 million and employed 76 people in the United States and the Benelux countries. The acquisition excluded NovaTech Automation's other divisions. The acquired business has been consolidated into the Group financials from the acquisition date onwards.

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

Acquisition of Körber's Business Area Tissue

The acquisition of Körber's Business Area Tissue, announced on July 7, 2023, was completed on November 2, 2023. Control of the acquiree was obtained through the purchase of 100 percent equity interests in Körber Tissue S.p.A. and Körber Tissue Fold S.r.l. The enterprise value of the acquisition was approximately EUR 380 million on a cash and debt free basis. The transaction consideration was paid in cash upon the completion.

Körber's Business Area Tissue offers process technologies and related services for converting the jumbo reels of tissue paper into final tissue products. It has the broadest offering in the tissue converting industry with converting lines for tissue rolls and for folded tissue including product packaging, as well as services and digital solutions. With the acquisition, Valmet strengthens both its Process Technologies and Services segments.

In 2022, Körber's Business Area Tissue's net sales amounted to EUR 305 million and its adjusted EBITDA margin was approximately 12%. The company has a strong and growing services business, which accounted for 36% of total net sales in 2022. The business employs around 1,170 employees in Italy, Brazil, the USA, China and Japan.

The acquired business has been consolidated into Valmet as of November 2, 2023. The assumed accounting for the acquisition, including estimated purchase consideration, is based on provisional amounts and the associated purchase accounting is not final.

Fair values of assets acquired, liabilities assumed, and goodwill recognized at the date of acquisition and net cash flow impact are summarized in the following tables. The net assets acquired are denominated in euro. Goodwill arising from the business combination is attributable to the assembled workforce, value of geographic presence and market position, future customers, technologies and products, and synergies expected to be derived from the combined businesses. The goodwill arising from the merger is not expected to be tax-deductible.

From the date of acquisition, the acquired business has contributed EUR 76 million to net sales and EUR 1 million to the profit of the Group, including EUR 8 million amortization of intangibles and inventory fair-value step-up recognized at acquisition.

If the acquisition had occurred on January 1, 2023, management estimates that Valmet's Consolidated statement of income would show net sales of EUR 5,752 million and profit for the period amounting to EUR 329 million, with the assumptions that the fair value adjustments as at the date of acquisition would have been the same if the acquisition had occurred on January 1, 2023, and that the term loan facilities financing the acquisition would have been drawn before January 1, 2023.

Acquisition related costs of EUR 4 million have been charged to Selling, general and administrative expenses in the Consolidated statement of income in 2023.

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

EUR million	As at November 2, 2023
Non-current assets	
Goodwill	125
Other intangible assets	179
Property, plant and equipment	29
Right-of-use assets	35
Deferred tax asset	13
Other non-current assets	6
Total non-current assets	**386**
Current assets	
Inventories	171
Trade receivables	73
Other receivables	15
Cash and cash equivalents	39
Total current assets	**298**
Non-current liabilities	
Non-current lease liabilities	30
Non-current provisions	3
Deferred tax liabilities	53
Total non-current liabilities	**87**
Current liabilities	
Current debt	53
Current lease liabilities	4
Trade payables	28
Current provisions	4
Amounts due to customers under revenue contracts	67
Other current liabilities	50
Total current liabilities	**206**
Net assets acquired	**392**

EUR million	As at November 2, 2023
Consideration transferred	-392
Cash and cash equivalents acquired	39
Loan repayment at closing	-52
Net cash outflow	**-405**

21 | Financial risk management

As a global Group, Valmet is exposed to a variety of business and financial risks. Financial risks are managed centrally by the Group treasury (hereafter Treasury) under annually reviewed written policies approved by Valmet's Board of Directors. Treasury identifies, evaluates and hedges financial risks in close co-operation with the subsidiaries. Treasury functions as counterparty to the subsidiaries, manages centrally external funding and is responsible for the management of financial assets and appropriate hedging measures. The objective of financial risk management is to mitigate potential adverse effects of financial risks on Valmet's financial performance.

Lease liabilities recognized in Consolidated statement of financial position are part of Valmet's interest-bearing liabilities. To present information focused on Group's long-term funding and related financial risks, figures presented in this note regarding liquidity and refinancing risk, capital structure and interest rate risk management, exclude the impact of lease liabilities. More information regarding leases is presented in Note 5.

Sensitivity analysis

Sensitivity analysis presented in connection with various financial risks is based on the risk exposures at the end of the reporting period.

Sensitivities are calculated by assuming a change in one of the risk factors of a financial instrument, such as interest or currency rate. Sensitivity calculations are based on the changes in the relevant risk variable that are reasonably possible. The reasonably possible changes are assumed to be a variation of 1 percentage point (100 basis points) in interest rates, and a 10 percent change in foreign exchange rates and in commodity prices.

Liquidity and refinancing risk management

Liquidity or refinancing risk arises when a company is not able to arrange funding at terms and conditions corresponding to its creditworthiness. Cautious maturity distribution of interest-bearing debt and sufficient cash, short-term investments and committed and uncommitted credit facilities are maintained to protect short-term liquidity and to manage refinancing risk. Diversification of funding among different markets and an adequate number of financial institutions are used to safeguard the availability of liquidity at all times. Treasury monitors bank account structures, cash balances and forecasts of the subsidiaries and manages the utilization of the consolidated cash resources.

At end of the reporting period Cash and cash equivalents amounted to EUR 432 million (EUR 277 million) and current interest-bearing financial assets managed centrally by Treasury to EUR 25 million (EUR 30 million). Due to the global nature of operations, some of the Valmet subsidiaries are located in countries in which currency is subject to limited exchangeability or capital controls. Given Valmet's total liquidity position, balances in such countries are immaterial.

In 2023, new term loans worth EUR 725 million were drawn of which EUR 400 million related to the financing of Körber's Business Area Tissue acquisition, EUR 175 million was a term loan from the European Investment Bank and total of EUR 150 million were various bilateral term loans.

Valmet's liquidity was additionally secured by a committed and undrawn revolving credit facility worth EUR 300 million, which matures in 2026, committed and undrawn overdraft limits of EUR 15 million and an uncommitted commercial paper program worth EUR 300 million of which EUR 44 million was outstanding at the end of the reporting period.

Net working capital management is an integral part of the liquidity risk management. Treasury monitors and forecasts net working capital fluctuations in close co-operation with the subsidiaries. Net working capital increased to EUR 191 million (EUR -82 million) as at December 31, 2023, due to e.g. milestone payments for large capital projects and increased portion of stable business.

Group's refinancing risk is managed by balancing the proportion of current and non-current interest-bearing debt and average maturity of non-current interest-bearing debt including committed undrawn credit facility. The average maturity of non-current interest-bearing debt, including current portion, and committed undrawn credit facility as at December 31, 2023, was 3.0 years (3.3 years). The amount of current interest-bearing debt, including current portion of non-current interest-bearing debt, was 8 percent (22%) of total debt portfolio. As at December 31, 2023, Valmet's interest-bearing liabilities consist of debt and lease liabilities, and debt portfolio includes loans from financial institutions and commercial papers.

The tables below present undiscounted cash flows on the repayments and interests on Valmet's financial liabilities (excl. lease liabilities and derivatives) by the remaining maturities from the balance sheet date to the contractual maturity date. The remaining maturities of lease liabilities are presented in Note 5, and correspondingly remaining maturities of derivatives in Note 9.

EUR million	2024	2025	2026	2027	2028 and later
Loans from financial institutions					
Repayments	40	344	299	99	498
Interests	59	58	35	34	23
Trade payables and other current financial liabilities	582	–	–	–	–
Total	**681**	**402**	**334**	**133**	**521**

EUR million	2023	2024	2025	2026	2027 and later
Loans from financial institutions					
Repayments	40	140	31	272	112
Interests	14	12	10	6	1
Trade payables and other current financial liabilities	557	–	–	–	–
Total	611	152	41	278	114

The information presented in above tables excludes the impact of lease liabilities and derivatives.

Capital structure management

The capital structure management seeks to safeguard the ongoing business operations, to ensure flexible access to capital markets and to secure adequate funding at a competitive rate. Capital structure management at Valmet comprises both equity and interest-bearing debt. As at December 31, 2023, total equity was EUR 2,572 million (EUR 2,499 million) and the amount of interest-bearing debt was EUR 1,343 million (EUR 710 million).

Valmet has not disclosed any long-term financial ratio target for its capital structure. However, the objective of Valmet is to maintain strong capital structure in order to secure customers', investors', creditors' and market confidence. The capital structure is assessed regularly by the Board of Directors and managed operationally by Treasury. Loan facility agreements include customary covenants and Valmet is in clear compliance with the covenants at the end of the reporting period. Valmet had no credit rating at December 31, 2023.

	As at Dec 31,	
EUR million	**2023**	**2022**
Interest-bearing debt	**1,343**	710
Cash and cash equivalents	**432**	277
Interest-bearing financial assets	**25**	30
Interest-bearing net debt	**886**	403
Total equity	**2,572**	2,499

The information presented in above table excludes the impact of lease liabilities.

Interest rate risk management

Interest rate risk arises when changes in market interest rates and interest margins influence finance costs, returns on financial investments and valuation of interest-bearing items. The interest rate risk is managed and controlled by Treasury. The interest rate risks are managed through balancing the ratio between fixed and floating interest rates and duration of interest-bearing debt and interest-bearing financial assets. Additionally, Valmet may use derivative instruments such as forward rate agreements, swaps, options and futures contracts to mitigate the risks arising from interest-bearing assets and liabilities. The ratio of fixed rate debt of the total debt portfolio is required to stay within the 10–60 percent range including the interest rate derivatives. The duration of the non-current interest-bearing debt, including the current portion, and the interest rate derivatives is allowed to deviate between 6–42 months.

The fixed rate interest portion was 37 percent (30%), the duration was 1.3 years (1.2 years) and the EUR denominated debt was 100 percent (100%) of the total debt portfolio at the end of 2023. The basis for the interest rate risk sensitivity analysis is an aggregate Group level interest rate exposure, composed of interest-bearing financial assets, interest-bearing liabilities (excl. leases) and interest rate swaps, which are used to hedge the underlying exposures. The sensitivity analysis does not include interest component of foreign exchange derivatives since the impact of a one percentage point change in interest rates is not significant, assuming similar change in all currency pairs at the same time. For all interest-bearing debt, assets and interest rate derivatives to be fixed during the next 12 months a change of one percentage point upwards or downwards in interest rates with all other variables held constant would have following effect, net of taxes:

EUR million	2023	2022
Profit for the period	**-/+ 3.4**	-/+ 1.2
Equity	**+/- 9.0**	+/- 2.4

The information presented in above table excludes the impact of lease liabilities.

Valmet has used interest rate derivatives to hedge the interest rate risk of its debt portfolio. All interest rate swaps have been designated to cash flow hedge accounting relationships. The nominal and fair values of the outstanding interest rate derivative contracts are presented in Note 9.

Foreign exchange rate risk management

Valmet operates globally and is exposed to foreign exchange risk in several currencies, although the geographical diversity of operations decreases the significance of any individual currency. Substantial proportion of Valmet's net sales and costs are generated in euros (EUR), US dollars (USD), Swedish kronas (SEK) and Chinese yuans (CNY).

Transaction exposure

Foreign exchange transaction exposure arises when a subsidiary has commercial or financial transactions and payments in another currency than its own functional currency and when related cash inflow and outflow amounts are not equal or concurrent.

In accordance with Valmet's treasury policy, subsidiaries are required to hedge in full the foreign currency exposures on Consolidated statement of financial position and other firm commitments. Cash flows denominated in a currency other than the functional currency of the subsidiary are hedged with internal forward exchange contracts with Treasury for periods, which do not usually exceed two years. Subsidiaries also carry out hedging directly with the banks in countries, where the regulation does not allow corporate internal cross-border contracts. Treasury monitors the net position of each currency and decides to what extent a currency position is to be closed. Treasury is responsible for entering into external forward transactions corresponding to the internal forwards whenever a subsidiary applies hedge accounting. Valmet's treasury policy defines upper limits on the open currency exposures managed by Treasury; limits have been calculated on the basis of their potential profit or loss impact. To manage the foreign currency exposure Treasury may use forward exchange contracts and foreign exchange options. Valmet is exposed to foreign currency risk arising from both on and off-balance sheet items. The foreign currency exposure is composed of all assets and liabilities denominated in foreign currencies and their counter values in local currencies. Calculation includes external and internal short and long-term sales and purchase contracts, projected cash flows for unrecognized firm commitments and financial items, net of respective hedges. The following table illustrates Group's outstanding foreign currency risk at the end of the reporting period:

EUR million	EUR	SEK	USD	CNY	Others
Operational items	53	-351	437	-178	39
of which trade receivables and other current assets	-45	-165	108	61	40
of which trade payables and other current liabilities	12	64	-16	-91	32
Financial items	193	-35	-104	-97	44
Hedges	-253	377	-288	244	-81
under hedge accounting	55	283	-285	138	39
not qualifying for hedge accounting	-308	95	-2	105	-120
Total exposure	**-6**	**-9**	**46**	**-31**	**2**

		As at Dec 31, 2022			
EUR million	**EUR**	**SEK**	**USD**	**CNY**	**Others**
Operational items	229	-356	333	-211	5
of which trade receivables and other current assets	-56	-123	103	46	30
of which trade payables and other current liabilities	-13	35	-19	-38	34
Financial items	321	-135	-97	-120	31
Hedges	-579	485	-222	341	-26
under hedge accounting	-323	278	-224	235	35
not qualifying for hedge accounting	-256	207	3	106	-61
Total exposure	-29	-5	14	10	10

This Group level currency exposure is the basis for the sensitivity analysis of foreign exchange risk. Assuming euro to appreciate or depreciate 10 percent against all other currencies, the impact on cash flows, net of taxes, would be:

			As at Dec 31, 2023		
EUR million	**SEK**	**USD**	**CNY**	**Others**	**Total**
EUR +/- 10% change	**+/- 0.7**	**-/+ 3.7**	**+/- 2.5**	**-/+ 0.2**	**-/+ 0.6**

			As at Dec 31, 2022		
EUR million	**SEK**	**USD**	**CNY**	**Others**	**Total**
EUR +/- 10% change	+/- 0.4	-/+ 1.2	-/+ 0.8	-/+ 0.8	-/+ 2.4

The sensitivity analysis as required by IFRS 7, includes financial instruments, such as trade and other receivables, trade and other payables, interest-bearing liabilities, deposits, cash and cash equivalents and derivative financial instruments.

The table below presents the effects, net of taxes, of a +/- 10 percent change in EUR against all other currencies:

EUR million	2023	2022
Profit for the period	**+/- 6.4**	-/+ 0.5
Equity	**-/+ 14.0**	-/+ 25.8

Changes in fair value of derivative contracts that qualify for cash flow hedge accounting are recorded in equity. The effect in profit or loss is the change in fair value for all other financial instruments exposed to foreign exchange risk.

The nominal and fair values of the outstanding forward exchange contracts are presented in Note 9.

Translation or equity exposure

Foreign exchange translation exposure arises when goodwill or fair value step ups, or equity of a subsidiary, is denominated in currency other than the functional currency of the parent company. As at December 31, 2023, the total non-EUR denominated goodwill and fair value step ups, and equity of the subsidiaries, was EUR 1,141 million (EUR 963 million). The major translation exposures were in 2023 EUR 431 million in USD and EUR 220 million in CNY, and respectively in 2022 EUR 377 million in USD and EUR 210 million in CNY. Valmet is currently not hedging any equity exposure.

Commodity risk management

Valmet is exposed to risk in variations of the prices of raw materials and of supplies including energy. Subsidiaries have identified their commodity price hedging needs and hedges have been executed through Treasury using approved counterparties and instruments. For commodity risks separate overall hedging limits are defined and approved. Hedging is done on a rolling basis with a declining hedging level over time. Electricity exposure in the Nordic subsidiaries has been hedged with electricity forwards and fixed price physical contracts. Hedging is focused on the estimated energy consumption for the next two-year period with some contracts extended to approximately five years. The execution of electricity hedging has been outsourced to an external broker. As at December 31, 2023, Valmet had outstanding electricity forwards amounting to 153 GWh (169 GWh) and 158 GWh (158 GWh) under fixed price purchase agreements.

To reduce its exposure to the volatility caused by the surcharge for certain metal alloys (Alloy Adjustment Factor) comprised in the price of stainless steel charged by its suppliers, Valmet may enter into average-price swap agreements for nickel. The Alloy Adjustment Factor is based on monthly average-prices of its components of which nickel is the most significant. Also, to reduce steel scrap price risk in Valmet's own foundry operations, Valmet can hedge steel scrap prices using average price swap agreements. As at December 31, 2023, Valmet had 588 metric tons outstanding average-price swap agreements for nickel (192 metric tons) and 1,523 metric tons for steel scrap (1,048 metric tons).

The following table presenting the sensitivity analysis of the commodity prices comprises the net aggregate amount of commodities bought through forward contracts and swaps but excludes the anticipated future consumption of raw materials and electricity.

A 10 percent change upwards or downwards in commodity prices would have the following effects, net of taxes:

EUR million	2023	2022
Electricity - effect in equity	**+/- 0.5**	+/- 1.0
Nickel - effect in profit for the period	**+/- 0.7**	+/- 0.5
Steel scrap - effect in profit for the period	**+/- 0.0**	+/- 0.0

Cash flow hedge accounting has been applied to electricity forward contracts and the change in fair value is recognized in equity. Hedge accounting is not applied to nickel and steel scrap agreements and the change in the fair value is recorded through Consolidated statement of income.

Credit and counterparty risk management

Credit or counterparty risk is defined as the possibility of a customer, subcontractor or a financial counterparty not fulfilling its commitments towards Valmet. Subsidiaries are primarily responsible for credit risks pertaining to sales and procurement activities. The subsidiaries assess the credit standing of their customers, by taking into account their financial position, past experience and other relevant factors. Advance payments, letters of credit and third-party guarantees are actively used to mitigate credit risks. Treasury provides centralized services related to trade, project and customer financing and seeks to ensure that the principles of Valmet's treasury policy are adhered to with respect to terms of payment and required collateral. Valmet has no significant concentrations of credit risks due to the large number and geographic dispersion of companies that comprise the Group's customer base.

The maximum credit risk equals the carrying value of trade and other receivables, together with contract assets related to contracts for which revenue is recognized over time. The credit risk quality is evaluated both on the basis of aging of the trade receivables and also on the basis of customer specific analysis. The aging structure of trade receivables is presented in Note 8. Management considers investments at fair value through other comprehensive income to have low credit risk as they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. Counterparty risk arises also from financial transactions agreed upon with banks, financial institutions and corporations. The risk is managed by careful selection of banks and other counterparties and by applying counterparty specific limits and netting agreements such as ISDA (Master agreement of International Swaps and Derivatives Association), see Note 9. All financial institutions Valmet associates with have investment grade status. When measuring the financial credit risk exposure, all open exposures such as cash at bank accounts, investments, deposits and other financial transactions, for example derivative contracts, are included. The compliance with financial counterparty limits is regularly monitored by the management.

22 | Investments in associated companies

Valmet Group has the following associated companies:

Company name	Place of incorporation and principal place of business	Share of ownership Dec 31, 2023	Dec 31, 2022	Measurement
Nanjing SAC Valmet Automation Co., Ltd.	China	**21.95%**	21.95%	Equity method
Valpro gerenciamento de obras Ltda	Brazil	**51.0%**	51.0%	Equity method

Nanjing SAC Valmet Automation Co., Ltd. (SAC) is a company established in 2011 between Metso Automation Co., Ltd. and Guodian Nanjing Automation Co., Ltd. Guodian Nanjing Automation Co., Ltd is a public company of which the majority is owned by Huadian Power International Corporation Limited, part of one of the five biggest power producing companies in China. The ownership of Metso Automation Co., Ltd. transferred to Valmet when the Group completed its acquisition of Process Automation Systems on April 1, 2015. Nanjing SAC Valmet Automation Co., Ltd. concentrates on developing new technology, products and solutions to the digital power plant concepts by combining the resources of the parties. The associated company is focusing especially on the Chinese market.

Valpro gerenciamento de obras Ltda is classified as joint venture, because Valmet has, together with the other shareholder, joint power to govern the company.

Valpro gerenciamento de obras Ltda and Nanjing SAC Valmet Automation Co., Ltd. are private companies and there are no quoted market prices available for their shares. There are no contingent liabilities relating to Valmet's interest in Nanjing SAC Valmet Automation Co., Ltd or Valpro gerenciamento de obras Ltda.

The shares in Allimand S.A. were sold in 2023, and in consequence Allimand S.A. is no longer classified as an associated company. In the comparison period as at December 31, 2022, Valmet held 35.8 percent share of Allimand S.A.

Summarized financial information for Nanjing SAC Valmet Automation Co., Ltd. is set out below. The summarized financial information below represents amounts shown in Nanjing SAC Valmet Automation Co., Ltd.'s most recent financial statements. The current and non-current assets and liabilities, revenues and results of Valpro gerenciamento de obras Ltda are not material and thus not presented in the below tables.

EUR million	2023 SAC	2022 SAC
Balance sheet		
Non-current assets	**17**	17
Current assets	**126**	123
Non-current liabilities	**1**	1
Current liabilities	**68**	68
Net assets	**74**	71
Valmet's share of net assets	**16**	15
Income statement		
Revenue	**121**	108
Profit or loss	**13**	13
Total comprehensive income	**13**	13

Valmet had no material transactions with its associated companies in 2023 or 2022, or material receivables or liabilities as at December 31, 2023, or December 31, 2022.

Reconciliation to carrying values in Valmet Group:

EUR million	2023 SAC	2022 SAC
Net assets at beginning of the period	**71**	64
Translation differences	**-4**	-1
Profit for the period	**13**	13
Other comprehensive income for the period	**—**	-1
Dividends paid	**-6**	-4
Net assets at end of the period	**74**	71
Valmet's share of net assets	**16**	15
Carrying value at end of the period	**16**	15

Changes in investments in associated companies during the period:

	Year ended Dec 31,	
EUR million	2023	2022
Historical cost		
Historical cost at beginning of the period	**8**	464
Additions	**—**	—
Impairments	**—**	—
Reclassification[1]	**—**	-456
Other adjustments	**—**	—
Historical cost at end of the period	**8**	8
Equity adjustments		
Equity adjustments at beginning of the period	**7**	-3
Profit for the period	**3**	9
Other comprehensive income for the period	**—**	—
Dividends received	**-2**	-90
Expensing of fair value adjustments	**—**	-2
Reclassification[1]	**—**	93
Other adjustments	**—**	—
Equity adjustments at end of the period	**9**	7
Carrying value at end of the period	**16**	15

[1] Reclassifications relate to consolidation of Neles into Valmet in 2022 and includes a gain of EUR 59 million from remeasurement of Valmet's previously held equity interest in Neles.

23 | Audit fees

In 2023, the Annual General Meeting of Valmet Oyj elected Authorised Public Accountants PricewaterhouseCoopers Oy as Valmet Oyj's auditor. The below table presents fees for audit and other services provided by PricewaterhouseCoopers Oy and its affiliates (PwC) to Valmet Group.

	Year ended Dec 31,	
EUR million	**2023**	**2022**
Audit	**-2.5**	-2.3
Services under the Finnish Auditing Act, chapter 1, section 1(1), point 2	**—**	—
Tax consulting	**—**	—
Other services	**-0.2**	-0.1
Total	**-2.7**	-2.5

In 2023, PricewaterhouseCoopers Oy has provided non-audit services to entities of Valmet Group in total of EUR 0.1 million (EUR 0.1 million) with the services consisting of tax and other services.

24 | Contingencies and commitments

Valmet Oyj, with its subsidiaries, and financial institutions have guaranteed commitments arising from the ordinary course of business of Valmet Group up to a maximum of EUR 1,127 million and EUR 1,521 million as at December 31, 2023, and 2022, respectively.

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. Although some of the claims are substantial, 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.

25 | Related party information

Valmet's related parties include Valmet Group companies (see Note 26) and associated companies and joint ventures (see Note 22) as well as the members of Valmet's Board of Directors and Executive Team.

Remuneration of Chief Executive Officer and other Executive Team members

The table below presents the expenses related to management compensation that have been recognized in profit or loss. More information about share-based payments is presented in Note 14.

EUR thousand	Salaries and other short-term benefits	Performance bonuses	Share-based payments	Post-retirement benefits	Resignation benefits	Total
2023						
President and CEO	-797	-674	-822	-393	-1,958	**-4,645**
Other Executive Team members	-3,175	-1,173	-2,803	-1,348	-150	**-8,649**
Total	**-3,973**	**-1,847**	**-3,625**	**-1,741**	**-2,108**	**-13,294**
2022						
President and CEO	-767	-686	-781	-379	–	-2,613
Other Executive Team members	-3,412	-1,242	-2,666	-1,451	–	-8,771
Total	-4,179	-1,929	-3,447	-1,829	–	-11,384

On August 18, 2023, Valmet announced that Valmet's Board of Directors has accepted the resignation of Valmet's President and CEO Pasi Laine and related terms and conditions. Pasi Laine will continue as the President and CEO of Valmet until the end of September 2024. The remuneration of the President and CEO was decided in August 2023 in conjunction with his resignation. The Board of Directors decided to continue salary payments until July 2025 and make a severance payment of EUR 1,125 thousand to the President and CEO on July 1, 2025. These and other benefits related to the resignation of the President and CEO accrued in 2023 totaled to EUR 1,958 thousand. The President and CEO is considered a Good leaver for the purposes of long- and short-term incentives and retains rights to all earned incentives as well as future incentives for the performance period 2024–2026.

Pension arrangements for the President and CEO follow local market practice and legislation. Other Executive Team members belong to the pension systems of their country of residence and have a statutory retirement age. The President and CEO and members of the Executive Team belong to supplementary defined contribution pension plans.

Contributions to the plans are 15–20 percent of the employee's annual salary. Expenses are included in the post-retirement benefits together with statutory pension benefits presented in the table above. The final benefit received by the employee depends on the return on the plan's investments.

Remuneration paid to members of the Board of Directors

EUR thousand	2023
Mikael Mäkinen, Chair	**-167**
Jaakko Eskola, Vice Chair	**-95**
Aaro Cantell, Member	**-82**
Anu Hämäläinen, Member	**-83**
Pekka Kemppainen, Member	**-82**
Per Lindberg, Member	**-72**
Monika Maurer, Member	**-92**
Eriikka Söderström, Member	**-92**
Juha Pöllänen, Personnel Representative	**-7**
Total	**-771**

As at December 31, 2023, the aggregate shareholding of the Board of Directors, the President and CEO and other Executive Team members was 647,065 shares (712,589 shares as at December 31, 2022).

Valmet has no loan receivables from the Executive Team or the members of the Board of Directors. No pledges or other commitments have been given on behalf of management or shareholders.

In 2023 and 2022, Valmet sold goods to entities controlled by a member of the Board of Directors and purchased services from the same entities. The value of these sales amounted to EUR 487 thousand and purchases to EUR 80 thousand (EUR 428 thousand of sales and EUR 25 thousand of purchases in 2022). Outstanding current receivables were EUR 45 thousand (EUR 156 thousand) and outstanding current payables EUR 14 thousand (EUR 8 thousand) at the end of the reporting period.

26 | Subsidiaries

Company name	Country of incorporation and place of business	Parent holding, %	Group ownership interest, %
Neles Australia Flow Control Pty Ltd[1]	Australia	–	100.0
Valmet Pty Ltd	Australia	–	100.0
Valmet GesmbH	Austria	–	100.0
Valmet Belgium B.V.	Belgium	–	100.0
Valmet Celulose, Papel e Energia Ltda.	Brazil	–	100.0
Valmet Engraving Solutions Ltda.	Brazil	–	100.0
Valmet Fabrics Tecidos Técnicos Ltda.	Brazil	–	100.0
Valmet Flow Control Ltda.	Brazil	–	100.0
Valmet Tissue Converting Ltda.	Brazil	–	100.0
Valmet Ltd.	Canada	–	100.0
Valmet Flow Control Ltd.	Canada	–	100.0
Neles Chile SpA	Chile	–	100.0
Valmet S.A.	Chile	–	100.0
Fabio Perini Shanghai Co., Ltd.	China	–	100.0
Körber Engineering Solutions (Nantong) Co., Ltd.	China	–	100.0
Neles (China) Investment Co. Ltd	China	100.0	100.0
Neles Taiwan Co., Ltd	China	–	100.0
Valmet (China) Co., Ltd.	China	–	100.0
Valmet Automation (Shanghai) Co., Ltd.	China	–	100.0
Valmet Fabrics (China) Co., Ltd.	China	–	100.0
Valmet Flow Control (Jiaxing) Co., Ltd	China	–	100.0
Valmet Flow Control (Shanghai) Co. Ltd	China	–	100.0
Valmet Paper (Shanghai) Co., Ltd.	China	–	100.0
Valmet Paper Machinery (Changzhou) Co., Ltd.	China	–	100.0
Valmet Paper Technology (China) Co., Ltd.	China	–	100.0
Valmet Paper Technology (Guangzhou) Co., Ltd.	China	–	100.0
Valmet Paper Technology (Xi'an) Co., Ltd.	China	–	75.0
Valmet Technologies Co., Ltd.	China	–	100.0
Valmet d.o.o.	Croatia	–	100.0
Valmet s.r.o.	Czech Republic	–	100.0
Valmet Automation Oy	Finland	100.0	100.0
Valmet Flow Control Oy	Finland	100.0	100.0
Valmet Kauttua Oy	Finland	–	100.0
Valmet Technologies Oy	Finland	100.0	100.0
Valmet Automation SAS	France	–	100.0
Valmet SAS	France	–	100.0
Valmet Flow Control SAS	France	–	100.0
Valmet Deutschland GmbH	Germany	–	100.0
Valmet Flow Control GmbH	Germany	–	100.0
Valmet GmbH	Germany	–	100.0
Valmet Plattling GmbH	Germany	–	100.0
Neles India Private Limited	India	–	100.0
Valmet Technologies and Services Private Limited	India	–	100.0
Valmet Technologies Private Limited	India	–	100.0
PT Valmet	Indonesia	–	100.0
PT Valmet Automation Indonesia	Indonesia	–	100.0
PT Valmet Technology Center	Indonesia	–	100.0
Valmet Engraving Solutions S.r.l.	Italy	–	100.0

[1] Under liquidation.

Company name	Country of incorporation and place of business	Parent holding, %	Group ownership interest, %
Valmet Flow Control S.p.A	Italy	–	100.0
Valmet S.p.A.	Italy	–	100.0
Valmet Tissue Converting S.p.A.	Italy	–	100.0
Valmet Tissue Converting S.r.l.	Italy	–	100.0
Valmet K.K.	Japan	–	100.0
Valmet Tissue Converting Co., Ltd.	Japan	–	100.0
Neles Flow Control Malaysia Sdn. Bhd.[1]	Malaysia	–	100.0
Valmet Sdn. Bhd.	Malaysia	–	100.0
Neles Mexico SA de CV	Mexico	–	100.0
Valmet Technologies S. de R.L. de C.V.	Mexico	–	100.0
NovaTech Automation Solutions B.V.	Netherlands	–	100.0
NovaTech Automation Solutions Holding B.V.	Netherlands	–	100.0
Valmet B.V.	Netherlands	–	100.0
Valmet AS	Norway	–	100.0
Valmet Flow Control S.A.C.	Peru	–	100.0
Valmet Automation Sp. z o.o.	Poland	–	100.0
Valmet Flow Control Sp. z o.o.	Poland	–	100.0
Valmet Services Jelenia Góra Sp. z o.o.	Poland	–	100.0
Valmet Services Sp. z o.o.	Poland	–	100.0
Valmet Technologies and Services S.A.	Poland	–	100.0
Valmet Technologies Sp. z.o.o.[1]	Poland	–	100.0
Valmet Lda	Portugal	–	100.0
Valmet Flow Control, Unipessoal Lda	Portugal	–	100.0
Valmet Trading and Contracting W.L.L.	Qatar	–	49.0
Neles Korea Co., Ltd.	Republic of Korea	–	100.0
Valmet Inc.	Republic of Korea	–	100.0
Valmet Flow Control S.R.L.	Romania	–	100.0
Neles Plant Saudi LLC	Saudi Arabia	–	70.0
Neles Asia Pacific Pte. Ltd.	Singapore	–	100.0
Valmet Pte. Ltd.	Singapore	–	100.0
Valmet Flow Control South Africa Pty Ltd	South Africa	–	100.0
Valmet South Africa (Pty) Ltd	South Africa	–	100.0
Valmet Technologies, S.A.U.	Spain	–	100.0
Valmet Technologies Zaragoza, S.L.	Spain	–	81.0
Valmet AB	Sweden	100.0	100.0
Valmet Flow Control AB	Sweden	–	100.0
Valmet Co., Ltd.	Thailand	–	100.0
Valmet Flow Control Co., Ltd.	Thailand	–	100.0
Valmet Flow Control Turkey Dis Ticaret A.S.	Turkey	–	100.0
Valmet Selüloz Kagit ve Enerji Teknolojileri A.S.	Turkey	–	100.0
Valmet Flow Control LLC[2]	United Arab Emirates	–	49.0
Valmet FZE	United Arab Emirates	–	100.0
Valmet Process Technologies and Services LLC[2]	United Arab Emirates	–	49.0
Neles UK Ltd	United Kingdom	–	100.0
Valmet Limited	United Kingdom	–	100.0
Neles-Jamesbury Inc.	USA	100.0	100.0
Valmet, Inc.	USA	73.5	100.0
Valmet Flow Control Inc.	USA	–	100.0
Valmet Tissue Converting, Inc.	USA	–	100.0
Valmet Co., Ltd.	Vietnam	–	100.0

[1] Under liquidation.

[2] Based on contractual arrangement, the Group has full control of the company and is consolidating the entity 100%.

27 | Events after the reporting period

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

28 | New accounting standards

New IFRS Accounting Standards adopted

Valmet Group has applied new standards, amendments and interpretations published by IASB that are effective for the first time for financial reporting periods commencing on January 1, 2023. These standards, amendments and interpretations did not have a material impact on the results or financial position of Valmet Group, or the presentation of financial statements.

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

New IFRS Accounting Standards not yet adopted

Valmet Group has not identified any new standards, amendments or interpretations published by IASB that apply for the first time to financial reporting periods commencing on or after January 1, 2024, that are expected to have a material impact on the results or financial position of Valmet Group, or the presentation of financial statements.

Parent company statement of income, FAS

		Year ended Dec 31,	
EUR	**Note**	**2023**	**2022**
Net sales		**7,748,166.74**	16,386,451.29
Other operating income	3	**—**	5,430,988.64
Personnel expenses	2	**-22,702,350.55**	-20,668,616.25
Depreciation and amortization	7	**-745,499.74**	-877,827.34
Other operating expenses	3, 4	**-27,318,714.24**	-33,540,575.65
Operating profit		**-43,018,397.79**	-33,269,579.31
Financial income and expenses, net	5	**169,060,384.36**	202,516,930.18
Profit before appropriations and taxes		**126,041,986.57**	169,247,350.87
Group contributions		**199,697,436.77**	164,643,000.00
Income taxes	6	**-28,951,532.14**	-24,389,074.25
Profit for the period		**296,787,891.20**	309,501,276.62

Parent company statement of financial position, FAS

Assets

EUR	Note	As at Dec 31, 2023	2022
Non-current assets			
Intangible assets	7	**844,017.31**	1,345,901.45
Property, plant and equipment	7	**3,971,492.15**	4,135,299.65
Equity investments	8	**2,270,937,770.34**	2,281,489,498.87
Non-current receivables	10, 11	**451,432,752.64**	132,823,313.93
Total non-current assets		**2,727,186,032.44**	2,419,794,013.90
Current assets			
Current receivables	10, 11	**763,946,287.19**	645,972,564.84
Cash and cash equivalents		**179,508,561.43**	114,030,701.19
Total current assets		**943,454,848.62**	760,003,266.03
Total assets		**3,670,640,881.06**	3,179,797,279.93

Equity and liabilities

EUR	Note	As at Dec 31, 2023	2022
Equity	12		
Share capital		**140,000,000.00**	140,000,000.00
Reserve for invested unrestricted equity		**484,127,812.29**	481,121,229.04
Hedge and other reserves		**-290,496.00**	6,943,646.00
Retained earnings		**722,051,520.42**	655,940,670.57
Profit for the period		**296,787,891.20**	309,501,276.62
Total equity		**1,642,676,727.91**	1,593,506,822.23
Provisions			
Other provisions		**2,275,620.12**	–
Liabilities			
Non-current liabilities	11, 13	**1,258,462,004.41**	572,235,388.82
Current liabilities	11, 14	**767,226,528.62**	1,014,055,068.88
Total liabilities		**2,025,688,533.03**	1,586,290,457.70
Total equity and liabilities		**3,670,640,881.06**	3,179,797,279.93

Parent company statement of cash flows, FAS

	Year ended Dec 31,	
EUR thousand	**2023**	**2022**
Cash flows from operating activities		
Profit before appropriations and taxes	**126,042**	169,247
Adjustments		
Depreciation and amortization	**745**	878
Financial income and expenses, net	**-169,060**	-202,517
Other non-cash items	**9,097**	3,627
Total adjustments	**-159,218**	-198,012
Change in working capital	**16,106**	-6,953
Interest and other financial expenses paid	**-58,604**	-27,598
Dividends received	**193,085**	134,177
Interest and other financial income received	**32,726**	18,162
Income taxes paid	**-21,223**	-41,226
Net cash provided by (+) / used in (-) operating activities	**128,913**	47,799
Cash flows from investing activities		
Investments in tangible and intangible assets	**-80**	-32
Net increase (-) / decrease (+) in loan receivables from Group companies	**-412,830**	-32,970
Net cash provided by (+) / used in (-) investing activities	**-412,910**	-33,002
Cash flows from financing activities:		
Purchase of treasury shares	**-3,987**	-4,830
Issue of treasury shares to Group companies	**2,354**	4,867
Dividends paid	**-239,403**	-179,426
Group contribution received	**164,620**	169,448
Proceeds from non-current debt	**725,000**	400,000
Repayments of current portion of non-current debt	**-39,978**	-587,000
Net proceeds from (+) / repayments of (-) current debt	**-50,521**	94,739
Net proceeds from (+) / repayments of (-) debt from Group companies	**-15,971**	-26,851
Net increase (+) / decrease (-) in Group pool accounts	**-192,641**	-153,511
Net cash provided by (+) / used in (-) financing activities	**349,475**	-282,563
Net increase (+) / decrease (-) in cash and cash equivalents	**65,478**	-267,767
Cash and cash equivalents transferred in merger	**—**	63,182
Cash and cash equivalents at beginning of the period	**114,031**	318,616
Cash and cash equivalents at end of the period	**179,509**	114,031

Notes to parent company financial statements

1 | Accounting principles

The parent company's financial statements have been prepared in accordance with the Finnish Accounting Standards (FAS).

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts.

Non-current assets

Tangible and intangible assets are measured at historical cost, less accumulated depreciation according to plan. Land and water areas are not depreciated.

Depreciation and amortization are calculated on a straight-line basis over the expected useful lives of the assets as follows:

Intangible assets	10 years
Buildings and structures	12–30 years
Machinery and equipment	5–10 years
Other tangible assets	20 years

Investments in subsidiaries and other companies are measured at lower of acquisition cost or fair value.

Financial instruments

Valmet's financial risk management is carried out centrally by the Group treasury (hereafter Treasury) under annually reviewed written policies approved by Valmet's Board of Directors. Treasury functions in co-operation with the operating units to minimize financial risks to both the parent company and the Group.

Forward exchange derivative contracts are used to hedge foreign exchange rate risk, and these instruments are measured at fair value. The change in the fair value of derivative instruments used to hedge operative items (e.g. foreign currency denominated sales and purchase transactions) is reported under Other operating income and expenses in profit or loss. The change in the fair value of derivatives used to hedge non-operative items (e.g. interest-bearing financial assets and liabilities, and other items related to funding) are reported under Financial income and expenses in profit or loss. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

Cash flow hedge accounting is applied to interest rate swaps hedging future changes in cash flows arising from floating rate debt. The fair value of the interest rate swaps is calculated as the present value of the estimated future cash flows arising from the contract. The gain or loss related to the ineffective portion of hedging instruments is expensed immediately and is reported under Financial income and expenses. Interest arising from interest rate swaps is reported under Financial income and expenses concurrently with interest expense arising from hedged floating rate debt.

The derivative contracts used to hedge the commodity risk related to electricity and nickel are measured at fair value, and the changes in fair values are recognized in Other operating income and expenses in profit or loss. The fair value of commodity derivatives is based on quoted market prices at the balance sheet date.

Interest-bearing financial investments managed centrally by the Treasury are measured at fair value. The change in the fair value is recognized in fair value reserve within Equity in the Statement of financial position. The fair values of the interest-bearing financial assets are determined using prevailing market rates at the balance sheet date.

Pensions

An external pension insurance company manages the parent company's statutory and voluntary pension plans that are all defined contribution in nature. Contributions are expensed to the Statement of income as incurred.

Deferred taxes

A deferred tax liability or asset has been calculated for all temporary differences between tax bases of assets and liabilities and their amounts in financial reporting, using the tax rates enacted or substantially enacted by the balance sheet date. The deferred tax liabilities are recognized in the Statement of financial position in full, and the deferred tax assets are recognized when it is probable that there will be sufficient taxable profit against which the asset can be utilized.

Foreign currency transactions

Transactions in foreign currency are recorded at the exchange rate prevailing on the date of the individual transaction. Foreign currency denominated monetary items recognized in the Statement of financial position have been translated into the functional currency at the exchange rates prevailing at the balance sheet date. Exchange rate gains and losses related to operative items are reported under Other operating income and expenses in the Statement of income, whereas exchange rate gains and losses related to non-operative items are reported under Financial income and expenses.

Receivables

Receivables are initially recognized at nominal amounts. Subsequently they are measured at amortized cost, less provision for impairment.

Share-based incentive plan

Rewards arising from share-based incentive plans are settled partly in shares and partly in cash. The shares to be transferred as part of the plan are obtained in public trading. The acquisition of shares is recognized as decrease in Retained earnings and transfer of shares as increase in Reserve for invested unrestricted equity and Personnel expenses. The part settled in cash is recognized in the Statement of income under Personnel expenses at the time of payment.

Leasing

Lease payments have been recognized as rental expenses in the Statement of income.

2 | Personnel expenses

	Year ended Dec 31,	
EUR thousand	**2023**	**2022**
Salaries and wages	**-18,926**	-17,225
Pension costs	**-3,200**	-2,975
Other indirect employee costs	**-577**	-468
Total	**-22,702**	-20,669

Remuneration to management:

	Year ended Dec 31,	
EUR thousand	**2023**	**2022**
President and CEO	**-4,645**	-2,613
Members of the Board	**-771**	-761
Total	**-5,416**	-3,374

The President and CEO is entitled to retire when reaching 63 years of age. The President and CEO belongs to a supplementary defined contribution plan. The contribution to the plan is 20 percent of his annual salary.

Expenses are included in the remuneration to management table above. Additional information on management remuneration is presented in Note 25 of the Consolidated financial statements.

Number of personnel:

	2023	**2022**
Personnel at end of the period	**143**	143
Average number of personnel during the period	**144**	140

3 | Other operating income and expenses

	Year ended Dec 31,	
EUR thousand	**2023**	**2022**
Change in fair value of derivatives	**—**	5,431
Other operating income, total	**—**	5,431
Consulting and other services	**-15,683**	-27,573
IT	**-1,017**	-980
Change in fair value of derivatives	**-8,428**	—
Other	**-2,191**	-4,988
Other operating expenses, total	**-27,319**	-33,541

4 | Audit fees

	Year ended Dec 31,	
EUR thousand	**2023**	**2022**
Audit	**-529**	-469
Services under the Finnish Auditing Act, chapter 1, section 1(1), point 2	**-2**	-35
Tax consulting	**—**	—
Other services	**-129**	-84
Total	**-660**	-588

5 | Financial income and expenses

	Year ended Dec 31,					
		2023			2022	
EUR thousand	**Group companies**	**Others**	**Total**	**Group companies**	**Others**	**Total**
Dividends received	192,668	416	**193,085**	122,629	89,594	212,223
Interest income	27,783	7,182	**34,965**	9,824	1,468	11,292
Gain on sale of subsidiary	5,575	—	**5,575**	—	—	—
Interest expenses	-28,848	-33,888	**-62,737**	-7,256	-8,894	-16,149
Net gain/loss from foreign exchange	4,275	-3,783	**492**	-246	340	93
Interest component from forward contracts	994	-1,375	**-381**	-4,863	3,600	-1,263
Other financial expenses	—	-1,939	**-1,939**	—	-3,679	-3,679
Total	**202,447**	**-33,387**	**169,060**	120,088	82,429	202,517

6 | Income taxes

	Year ended Dec 31,	
EUR thousand	**2023**	**2022**
Income tax for the financial period	**-29,241**	-24,562
Income tax for prior periods	**-3**	242
Change in deferred taxes	**293**	-69
Total	**-28,952**	-24,389

7 | Intangible assets and property, plant and equipment

EUR thousand	Intangible assets	Land areas	Buildings and structures	Machinery and equipment	Other tangible assets	Tangible assets total	Total
2023							
Acquisition cost at beginning of the period	2,757	809	9,476	592	596	11,472	**14,229**
Additions	—	—	50	26	3	80	**80**
Disposals	—	—	—	—	—	—	**—**
Reclassifications	-18	—	—	14	4	18	**—**
Acquisition cost at end of the period	2,739	809	9,526	632	603	11,570	**14,308**
Accumulated depreciation at beginning of the period	-1,411	—	-6,466	-592	-279	-7,337	**-8,747**
Depreciation charges for the period	-484	—	-233	-3	-26	-262	**-745**
Accumulated depreciation at end of the period	-1,895	—	-6,698	-594	-305	-7,598	**-9,493**
Carrying value at end of the period	**844**	**809**	**2,827**	**38**	**298**	**3,971**	**4,816**

EUR thousand	Intangible assets	Land areas	Buildings and structures	Machinery and equipment	Other tangible assets	Tangible assets total	Total
2022							
Acquisition cost at beginning of the period	2,739	809	9,476	592	557	11,434	14,172
Additions	1,896	—	—	—	38	38	1,934
Disposals	-1,878	—	—	—	—	—	-1,878
Acquisition cost at end of the period	2,757	809	9,476	592	596	11,472	14,229
Accumulated depreciation at beginning of the period	-927	—	-6,097	-592	-254	-6,943	-7,870
Depreciation charges for the period	-484	—	-369	—	-25	-394	-878
Accumulated depreciation at end of the period	-1,411	—	-6,466	-592	-279	-7,337	-8,747
Carrying value at end of the period	1,346	809	3,010	—	316	4,135	5,481

8 | Investments

EUR thousand	Shares in Group companies	Other shares	Investments in associated companies	Investments total
2023				
Acquisition cost at beginning of the period	2,279,833	1,657	—	**2,281,489**
Additions	—	—	—	**—**
Disposals	-10,551	-1	—	**-10,552**
Acquisition cost at end of the period	2,269,282	1,656	—	**2,270,938**
Carrying value at end of the period	**2,269,282**	**1,656**	**—**	**2,270,938**

EUR thousand	Shares in Group companies	Other shares	Investments in associated companies	Investments total
2022				
Acquisition cost at beginning of the period	1,405,474	1,492	456,164	1,863,129
Additions[1]	874,359	165	—	874,524
Disposals[1]	—	—	-456,164	-456,164
Acquisition cost at end of the period	2,279,833	1,657	—	2,281,489
Carrying value at end of the period	2,279,833	1,657	—	2,281,489

[1] Neles Oyj has merged with Valmet Oyj on April 1, 2022. Valmet's previously held equity interest in Neles was reclassified and new subsidiaries were acquired in the merger. More information regarding the new subsidiaries is presented in Note 9.

9 | Subsidiaries

Company name	Domicile	Ownership %
Valmet Technologies Oy	Finland	100.0
Valmet Automation Oy	Finland	100.0
Valmet Flow Control Oy	Finland	100.0
Valmet AB	Sweden	100.0
Valmet, Inc.	USA	73.5
Neles-Jamesbury Inc.	USA	100.0
Neles (China) Investment Co., Ltd.	China	100.0

10 | Specification of receivables

Non-current receivables:

EUR thousand	As at Dec 31, 2023	2022
Loan receivables from Group companies	**432,445**	115,496
Deferred tax assets	**1,005**	—
Derivatives from Group companies	**6,262**	6,742
Derivatives from others	**11,721**	10,585
Non-current receivables total	**451,433**	132,823

Current receivables:

	As at Dec 31, 2023			As at Dec 31, 2022		
EUR thousand	**Group companies**	**Others**	**Total**	**Group companies**	**Others**	**Total**
Trade receivables from	10,295	—	**10,295**	14,979	—	14,979
Loan receivables from	187,931	—	**187,931**	97,523	—	97,523
Group pool accounts	264,678	—	**264,678**	242,683	—	242,683
Prepaid expenses and accrued income from	243,275	39,103	**282,378**	213,955	76,787	290,742
Other receivables from	—	18,664	**18,664**	—	45	45
Current receivables total	**706,179**	**57,768**	**763,946**	569,140	76,833	645,973

Specification of prepaid expenses and accrued income:

EUR thousand	As at Dec 31, 2023	2022
Prepaid expenses and accrued income from Group companies		
Group contribution receivables	**199,720**	164,643
Accrued interest income	**8,884**	2,771
Derivatives	**33,581**	45,321
Other	**1,089**	1,220
Total	**243,275**	213,955
Other prepaid expenses and accrued income		
Derivatives	**27,977**	58,348
Other	**11,126**	18,440
Total	**39,103**	76,787

11 | Financial assets and liabilities recognized at fair value

Notional amounts and fair values as at December 31:

EUR thousand	Notional amount	Fair value, assets	Fair value, liabilities	Fair value, net	Changes in fair value recognized in profit or loss	Changes in fair value recognized in hedge reserve
2023						
Forward exchange contracts						
With Group companies	**2,985,423**	**37,880**	**-35,020**	**2,860**	**11,871**	**—**
Others	**3,148,645**	**34,229**	**-37,534**	**-3,306**	**-18,419**	**—**
Interest rate swaps[1]						
Others	**510,000**	**4,681**	**-5,044**	**-363**	**982**	**-363**
Electricity forward contracts[2]						
Others	**153**	**790**	**-800**	**-10**	**-8,728**	**—**
Nickel commodity swaps[3]						
With Group companies	**588**	**1,957**	**—**	**1,957**	**3,591**	**—**
Others	**588**	**—**	**-1,957**	**-1,957**	**-3,591**	**—**
Steel scrap commodity swaps[3]						
With Group companies	**1,523**	**15**	**-8**	**7**	**-34**	**—**
Others	**1,523**	**8**	**-15**	**-7**	**34**	**—**

EUR thousand	Notional amount	Fair value, assets	Fair value, liabilities	Fair value, net	Changes in fair value recognized in profit or loss	Changes in fair value recognized in hedge reserve
2022						
Forward exchange contracts						
With Group companies	3,092,057	52,027	-50,331	1,697	34,838	—
Others	3,437,871	49,845	-54,983	-5,139	-50,176	—
Interest rate swaps[1]						
Others	125,000	8,697	-18	8,680	315	8,680
Electricity forward contracts[2]						
Others	169	8,772	-55	8,717	5,071	—
Nickel commodity swaps[3]						
With Group companies	192	—	-1,322	-1,322	-1,248	—
Others	192	1,322	—	1,322	1,248	—
Steel scrap commodity swaps[3]						
With Group companies	1,048	—	-3	-3	-3	—
Others	1,048	3	—	3	3	—

[1] All interest rate swaps have been designated to cash flow hedge accounting relationships.
[2] Notional amount in GWh.
[3] Notional amount in metric tons.

Maturities of financial derivatives as at December 31:

	2024	2025	2026	2027	2028 and later	Total
2023						
Notional amounts						
Forward exchange contracts[1]	**5,415,352**	**640,819**	**77,898**	**—**	**—**	**6,134,068**
Electricity forward contracts[2]	**92**	**44**	**18**	**—**	**—**	**153**
Nickel commodity swaps[3]	**1,176**	**—**	**—**	**—**	**—**	**1,176**
Steel scrap commodity swaps[3]	**3,046**	**—**	**—**	**—**	**—**	**3,046**
Interest rate swaps[1]	**65,000**	**95,000**	**160,000**	**150,000**	**40,000**	**510,000**
Fair values, EUR thousand						
Forward exchange contracts	**-544**	**94**	**3**	**—**	**—**	**-446**
Electricity forward contracts	**140**	**-72**	**-78**	**—**	**—**	**-10**
Nickel commodity swaps	**—**	**—**	**—**	**—**	**—**	**—**
Steel scrap commodity swaps	**—**	**—**	**—**	**—**	**—**	**—**
Interest rate swaps	**-194**	**77**	**-8**	**-253**	**14**	**-363**

	2023	2024	2025	2026	2027 and later	Total
2022						
Notional amounts						
Forward exchange contracts[1]	6,074,786	443,889	11,253	—	—	6,529,928
Electricity forward contracts[2]	120	48	—	—	—	169
Nickel commodity swaps[3]	384	—	—	—	—	384
Steel scrap commodity swaps[3]	2,096	—	—	—	—	2,096
Interest rate swaps[1]	25,000	—	30,000	25,000	45,000	125,000
Fair values, EUR thousand						
Forward exchange contracts	-3,510	63	5	—	—	-3,442
Electricity forward contracts	7,564	1,153	—	—	—	8,717
Nickel commodity swaps	—	—	—	—	—	—
Steel scrap commodity swaps	—	—	—	—	—	—
Interest rate swaps	-18	—	1,586	1,305	5,806	8,680

[1] Notional amount in EUR thousand.
[2] Notional amount in GWh.
[3] Notional amount in metric tons.

Classification of financial assets and liabilities as at December 31:

	As at Dec 31,	
EUR thousand[1]	**2023**	**2022**
Non-current financial assets		
Equity investments at amortized cost	2,269,282	2,279,833
Equity investments at fair value through profit or loss	1,656	1,657
Loan receivables at amortized cost	432,445	115,496
Derivative financial instruments at fair value through profit or loss	13,302	8,630
Derivative financial instruments qualified for hedge accounting	4,681	8,697
Carrying value at end of the period	**2,721,366**	2,414,313
Current financial assets		
Loan receivables at amortized cost	187,931	97,523
Group pool accounts	264,678	242,683
Trade receivables at amortized cost	10,295	14,979
Derivative financial instruments at fair value through profit or loss	61,558	103,669
Cash and cash equivalents at amortized cost	179,509	114,031
Carrying value at end of the period	**703,971**	572,884

	As at Dec 31,	
EUR thousand[1]	**2023**	**2022**
Non-current financial liabilities		
Loans from financial institutions at amortized cost	1,240,044	555,022
Derivative financial instruments at fair value through profit or loss	13,354	7,409
Derivative financial instruments qualified for hedge accounting	4,850	18
Carrying value at end of the period	**1,258,248**	562,449
Current financial liabilities		
Loans from financial institutions at amortized cost	39,978	39,978
Interest-bearing liabilities at amortized cost	73,793	125,907
Group pool accounts	562,548	733,194
Trade payables at amortized cost	6,741	3,222
Derivative financial instruments at fair value through profit or loss	61,920	99,577
Derivative financial instruments qualified for hedge accounting	194	–
Carrying value at end of the period	**745,174**	1,001,878

[1] Carrying values presented in the table approximate fair values.

12 | Statement of changes in equity

	Year ended Dec 31,	
EUR thousand	**2023**	**2022**
Share capital at beginning of the period	**140,000**	100,000
Issue of ordinary shares as consideration for a business combination	**—**	40,000
Share capital at end of the period	**140,000**	140,000
Reserve for invested unrestricted equity at beginning of the period	**481,121**	430,864
Issue of ordinary shares as consideration for a business combination	**—**	43,860
Share-based payments	**3,007**	6,396
Reserve for invested unrestricted equity at end of the period	**484,128**	481,121
Hedge and other reserves at beginning of the period	**6,944**	-655
Change in reserves	**-7,234**	7,599
Hedge and other reserves at end of the period	**-290**	6,944
Retained earnings at beginning of the period	**965,442**	840,197
Dividends paid	**-239,403**	-179,426
Purchase of treasury shares	**-3,987**	-4,830
Retained earnings at end of the period	**722,052**	655,941
Profit for the period	**296,788**	309,501
Total equity at end of the period	**1,642,677**	1,593,507

Statement of distributable funds:

	As at Dec 31,	
EUR	**2023**	**2022**
Reserve for invested unrestricted equity	**484,127,812.29**	481,121,229.04
Hedge and other reserves	**-290,496.00**	6,943,646.00
Retained earnings	**722,051,520.42**	655,940,670.57
Profit for the period	**296,787,891.20**	309,501,276.62
Total distributable funds	**1,502,676,727.91**	1,453,506,822.23

13 | Non-current liabilities

	As at Dec 31,	
EUR thousand	**2023**	**2022**
Loans from financial institutions	**1,240,044**	555,022
Derivatives from Group companies	**7,003**	730
Derivatives from others	**11,202**	6,696
Deferred tax liabilities	**—**	1,310
Other non-current liabilities	**214**	8,477
Non-current liabilities total	**1,258,462**	572,235

Maturities of financial liabilities as at December 31:

EUR thousand	2024	2025	2026	2027	2028 and later
Loans from financial institutions	39,978	344,440	298,901	98,901	497,802
Trade payables and other financial liabilities	80,534	—	—	—	—
Total	**120,512**	**344,440**	**298,901**	**98,901**	**497,802**

EUR thousand	2023	2024	2025	2026	2027 and later
Loans from financial institutions	39,978	139,978	30,978	271,978	112,088
Trade payables and other financial liabilities	129,129	—	—	—	—
Total	169,107	139,978	30,978	271,978	112,088

The information presented in above maturity tables excludes the impact of derivatives.

14 | Current liabilities

	As at Dec 31, 2023			As at Dec 31, 2022		
EUR thousand	**Group companies**	**Others**	**Total**	**Group companies**	**Others**	**Total**
Current portion of non-current loans	—	39,978	**39,978**	—	39,978	39,978
Trade payables	2,736	4,004	**6,741**	627	2,594	3,222
Accrued expenses and deferred income	29,161	54,430	**83,591**	53,029	57,635	110,664
Other current interest-bearing debt	29,574	44,219	**73,793**	31,168	94,739	125,907
Group pool accounts	562,548	—	**562,548**	733,194	—	733,194
Other liabilities and provisions	—	576	**576**	—	1,090	1,090
Current liabilities total	**624,020**	**143,206**	**767,227**	818,018	196,037	1,014,055

Specification of accrued expenses and deferred income:

	As at Dec 31,	
EUR thousand	**2023**	**2022**
Accrued expenses and deferred income to Group companies		
Accrued interest expenses	**1,192**	844
Derivatives	**27,957**	51,175
Other	**12**	1,010
Total	**29,161**	53,029
Accrued expenses and deferred income to others		
Accrued interest expenses	**14,064**	3,540
Derivatives	**34,157**	48,402
Accrued salaries, wages and social costs	**5,502**	4,773
Other	**706**	920
Total	**54,430**	57,635

15 | Contingencies and commitments

Guarantees:

	As at Dec 31,	
EUR thousand	**2023**	**2022**
Guarantees on behalf of Group companies	**1,124,131**	1,412,286
Guarantees on own behalf	**216**	216
Total	**1,124,347**	1,412,502

Lease commitments:

	As at Dec 31,	
EUR thousand	**2023**	**2022**
Payments in the following year	**833**	790
Payments later	**1,533**	79
Total	**2,366**	869

List of account books used in parent company

Voucher description	Voucher class	Voucher format
General journal and general ledger		In electronic format
Specifications of accounts receivable and payable		In electronic format
Fixed assets transactions	756, 770, 774, 778, 782, 783, 786, 905, 906	In electronic format
Bank transactions	424–426, 500–692, 694, 699, 950, 960, 970	In electronic format
Sales invoices	300, 305, 310, 320, 330, 350, 400, 410, 491–499, 802, 815, 825–827, 834, 841, 930, 935, 940	In electronic format
Purchase invoices	100, 110, 115, 120, 130, 140, 150, 160, 190, 191, 290, 291–294, 297–299, 737, 801, 814, 824, 830, 832, 854, 855, 860, 861, 895, 910, 915	In electronic format
Travel invoices	755	In electronic format
Salary transactions	750	In electronic format
Journal vouchers	700, 710, 715, 720, 725, 730, 740, 767, 793, 865, 881, 900, 975, 980, 985, 990	In electronic format
Financial transactions	760, 765, 768	In electronic format
Opening balance	791, 792	In electronic format

Signatures of Board of Directors' Report and Financial Statements

Espoo, February 7, 2024

Mikael Mäkinen
Chair of the Board

Jaakko Eskola
Vice Chair of the Board

Aaro Cantell
Member of the Board

Anu Hämäläinen
Member of the Board

Pekka Kemppainen
Member of the Board

Per Lindberg
Member of the Board

Monika Maurer
Member of the Board

Eriikka Söderström
Member of the Board

Pasi Laine
President and CEO

The Auditor's Note

Our auditor's report has been issued today.

Helsinki, February 7, 2024

PricewaterhouseCoopers Oy
Authorised Public Accountant Firm

Pasi Karppinen
Authorised Public Accountant

Auditor's Report (Translation of the Finnish Original)

To the Annual General Meeting of Valmet Oyj

Report on the Audit of the Financial Statements

Opinion

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with IFRS Accounting Standards as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report to the Audit Committee.

What we have audited

We have audited the financial statements of Valmet Oyj (business identity code 2553019-8) for the year ended 31 December 2023. The financial statements comprise:

- consolidated statement of financial position, statement of income, statement of comprehensive income, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, which include material accounting policy information and other explanatory information
- the parent company's balance sheet, income statement, cash flow statement and notes.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

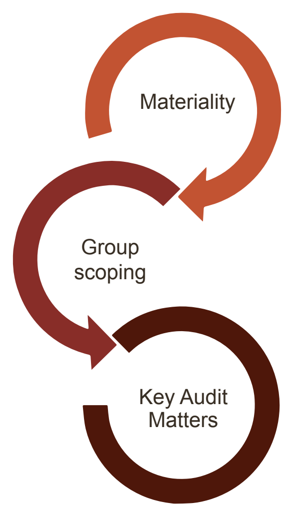
Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, the non-audit services that we have provided to the parent company and group companies are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5 (1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in note 23 to the Financial Statements.

Our Audit Approach

Overview



- Overall group materiality: € 22.5 million, which represents approximately 5% of profit before tax
- We conducted audit work in all major countries covering all key reporting units. The focus of our work was on the most significant reporting units in Finland, Sweden, USA, Brazil, China and India.
- Accounting for long-term projects and long-term service contracts
- Timing of revenue recognition for Services and Automation segment related contracts
- Goodwill valuation

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

Overall group materiality	€ 22.5 million (previous year € 21.5 million)
How we determined it	Approximately 5% of profit before tax
Rationale for the materiality benchmark applied	Profit before tax is a generally accepted benchmark. We chose 5%, which is within the range of acceptable quantitative materiality thresholds in auditing standards.

How we tailored our group audit scope

We tailored the scope of our audit, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

We conducted audit work in all key countries covering all key reporting units. The group audit scope was focused on the most significant reporting units in Finland, Sweden, USA, Brazil, China and India, where we performed an audit of the complete financial information due to their size and their risk characteristics. Additionally, we performed audits of one or more financial statement line items or specified audit procedures at other reporting components based on our overall risk assessment and materiality. We also carried out specific audit procedures over group functions and areas of significant judgement, including taxation, goodwill and material litigation. For the remaining reporting units, we performed other procedures to confirm there were no significant risks of material misstatement in the group financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matter in the audit of the group

Accounting for long-term projects and long-term service contracts

Refer to note 3 to the consolidated financial statements for the related disclosures.

Over time revenue recognition for long-term projects and long-term service contracts is significant to the financial statements based on the quantitative materiality and the degree of management judgment required to account for revenue recognition. The complexity and judgments are mainly related to the estimation of project cost, which serves as a basis for the determination of the percentage of completion, which the group applies for recognizing revenues and for the assessment of provisions for projects and potential loss-making contracts.

The total amount of revenue and profit to be recognized under long-term projects and long-term service contracts can be affected by changes in conditions and circumstances over time, such as:

- modifications and scope changes to the original contract due to changes in client specifications
- uncertainties and risks relating to assumptions utilized in the estimation of project cost, components delays, overruns or other circumstances that impacts the project cost of completion.

This matter is a significant risk of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014.

How our audit addressed the key audit matter

Our procedures included understanding of the end-to-end revenue recognition process relating to long-term projects and long-term service contracts. We identified and tested certain key internal controls and IT systems supporting revenue recognition and project management and accounting.

We have met and discussed regularly with business line and corporate management to identify new significant and high-risk projects, existing projects with significant fluctuations in gross margins, and potentially loss-making projects, including those with ongoing disputes and litigations.

We have performed detailed procedures on individually significant and high-risk projects. This includes assessing the reasonableness of estimated project cost of completion by obtaining an understanding of the cost model and key assumptions utilized in the estimates, and challenging management's judgments and estimates. In addition, we have also inspected pricing and sales forecasts, and other relevant supporting evidences utilized in the development of cost estimates such as historical data, price quotations, and engineering specifications.

In addition, we have discussed the progress of projects with business line management and certain project management representatives.

Further, we have performed a lookback analysis by comparing actual project outcomes to their related cost estimates to obtain perspective on the accuracy of the estimation process.

With the outcome of those discussions and the results of our audit procedures, we assessed management's assumptions in the determination of the project cost estimate.

Timing of revenue recognition for Services and Automation segment related contracts

Refer to note 3 to the consolidated financial statements for the related disclosures.

The company has several revenue streams relating to Services and Automation segments contracts where revenue is recognised at a point in time.

We focused on this area because the significant portion of the group net sales arises from these contracts and there is a risk that revenue is recognised in the incorrect period.

How our audit addressed the key audit matter

Our procedures included understanding of the end-to-end revenue recognition process.

Through this, we have identified the appropriate period before and after year-end wherein risk of misstatement is likely to arise, and tested revenue transactions in these periods and inspected supporting evidences including customer contracts and sales orders, invoices, delivery and freight documents, and collection supports.

We have also tested credit notes issued subsequent to year-end to identify potential indicators of premature revenue recognition in relation to billing goods or services that do not meet the agreed delivery terms.

Goodwill valuation

Refer to notes 4 and 20 to the consolidated financial statements for the related disclosures.

At 31 December 2023 the group's goodwill balance is valued at 1,735 million euro which includes 128 million euro goodwill from the business combinations in 2023.

Under IFRS the company is required to annually test goodwill for impairment. Goodwill valuation was important to our audit due to the size of the goodwill balance and because the assessment of the value in use of the group's Cash Generating Units is complex, involving judgement about the future results of the business by estimating future, EBITDAs and inflation rates and determining the discount rate for the calculations. We focused on the risk that goodwill may be overstated.

Based on the annual goodwill impairment test management concluded that no goodwill impairment was needed.

How our audit addressed the key audit matter

For the business combinations, we assessed the methodology adopted by management for calculating the purchase price, fair values of the acquired assets and liabilities, and the resulting goodwill. We also tested the key assumptions in the valuation models.

We evaluated management's future cash flow forecasts and the process by which they were drawn up, including comparing them to the latest Board approved budgets, and testing the underlying calculations. We evaluated and challenged the company's future cash flow forecasts in a discussion with management of the business involved, and the process by which they were drawn up, and tested the underlying value in use calculations. We compared the current year actual results to the figures for the financial year ended 31 December 2022 included in the prior year impairment models to consider whether any forecasts included assumptions that have proven to be optimistic.

We evaluated and challenged the discount rate used.

We assessed the sensitivity analysis that had been performed by management around the key drivers of the cash flow forecasts, which were:

- the projected EBITDAs
- the discount rate

to identify how much each of these key drivers needed to change, either individually or collectively, before the goodwill was impaired.

We also evaluated the likelihood of such a movement in those key assumptions that would require for goodwill to be impaired.

We assessed the adequacy of the disclosures in note 4, by checking that they were compliant with IFRS Accounting Standards and that their presentation was consistent with our understanding of the key issues and sensitivities in the valuation.

We have no key audit matters to report with respect to our audit of the parent company financial statements.

There are no significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014 with respect to the parent company financial statements.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or to cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Appointment

We were first appointed as auditors by the annual general meeting on 26 March 2014. Our appointment represents a total period of uninterrupted engagement of 10 years.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Financial Statements and information for investors 2023 report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report and the Financial Statements and information for investors 2023 report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion

- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 7 February 2024

PricewaterhouseCoopers Oy
Authorised Public Accountants

Pasi Karppinen
Authorised Public Accountant (KHT)

Board of Directors

Mikael Mäkinen
born 1956, Finnish citizen

Valmet Board Member and Chair of the Board since 2019
Chair of the Board's Remuneration and HR Committee
Independent of the company and independent of significant shareholders
M.Sc. (Eng.)
Chair of the Board in Aker Arctic Technology Inc. and Corvus Energy
Board Member of Finnlines Plc and SSAB AB

Jaakko Eskola
born 1958, Finnish citizen

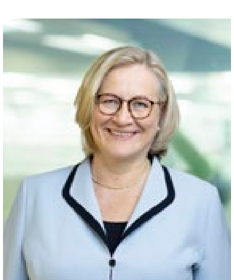
Valmet Board member and Vice Chair of the Board since 2022
Independent of the company and independent of significant shareholders
M.Sc. (Eng.)
Chair of the Board in Enersense International Oyj, Varma Mutual Pension Insurance Company, Suominen Oyj, Technology Industries of Finland, Cargotec Oyj and Oy HIFK-Hockey Ab
Board Member of Finnish Foundation for Share Promotion and Confederation of Finnish Industries

Pekka Kemppainen
born 1954, Finnish citizen

Valmet Board Member since 2018
Member of the Board's Audit Committee
Independent of the company and independent of significant shareholders
Lic.Sc. (Tech.)
Board member of Bittium Oyj and Junttan Oy

Monika Maurer
born 1956, German citizen

Valmet Board member since 2018
Member of the Board's Remuneration and HR Committee
Independent of the company and independent of significant shareholders
Diploma in Physics and Chemistry, the University of Stuttgart, Germany
Diploma in Pedagogy, State University for Pedagogic, Stuttgart, Germany
Chief Executive Officer of Radio Frequency Systems (RFS)
Vice Chair of the Board in Nokia Shanghai Bell, Co. Ltd.



Eriikka Söderström
born 1968, Finnish citizen

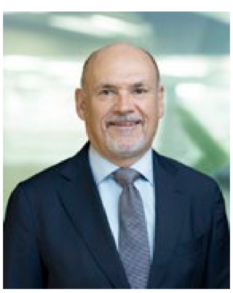
Valmet Board Member since 2017
Chair of the Board's Audit Committee
Independent of the company and independent of significant shareholders
M.Sc. (Econ.)
Board member of NV Bekaert S.A., Kempower Oyj and Amadeus IT Group S.A.

Aaro Cantell
born 1964, Finnish citizen

Valmet Board Member since 2016
Member of the Board's Remuneration and HR Committee
Independent of the company. Not independent of significant shareholders due to board membership in Solidium Oy.
M.Sc. (Tech.)
Chair of the Board of Normet Group Oy, Technology Industries of Finland Centennial Foundation and Technology Industry Employers of Finland
Vice Chair of the Board in Solidium Oy

Anu Hämäläinen
born 1965, Finnish citizen

Valmet Board member since 2022
Member of the Board's Audit Committee
Independent of the company and independent of significant shareholders
M.Sc. (Econ.)
Vice President, Group Finance and Treasury in Kesko Corporation
Board Member of Vähittäiskaupan Tilipalvelu VTP Oy and Finnish Fund for Industrial Cooperation Ltd. (FINNFUND)
Deputy Board Member of Kesko Pension Fund



Per Lindberg
born 1959, Swedish citizen

Valmet Board member since 2021
Independent of the company and independent of significant shareholders
M.Sc. Mechanical Engineering
PhD, Industrial Management and Economics
Senior Advisor at Peymar Holding AB
Chair of the Board in Permascand AB and Nordic Brass Gusum AB
Board Member of Vattenfall AB, Boliden AB and ReOcean AB

Personnel representative

Juha Pöllänen
born 1968, Finnish citizen

Personnel representative since 2021
Carpenter
Chief shop steward
Employed by Valmet since 1998
Personnel representative will participate as an invited expert in meetings of the Board of Directors.

More information about Valmet's Board of Directors: **www.valmet.com/management**

Executive Team

Pasi Laine
born 1963

President and CEO
M.Sc. (Eng.)
Finnish citizen

Aki Niemi
born 1969

Business Line President, Services
M.Sc. (Eng.)
Finnish citizen

Emilia Torttila-Miettinen
born 1979

Business Line President,
Automation Systems
M.Sc. (Eng.)
Finnish citizen

Simo Sääskilahti
born 1971

Business Line President,
Flow Control
M.Sc. (Eng.)
M.Sc. (Econ.)
Finnish citizen

Sami Riekkola
born 1974

Business Line President,
Pulp and Energy
M.Sc. (Eng.)
Finnish citizen

Petri Rasinmäki
born 1974

Business Line President, Paper
M.Sc. (Eng)
EMBA
Finnish citizen

Jukka Tiitinen
born 1965

Area President, North America
M.Sc. (Eng.)
Finnish and US citizen

Celso Tacla
born 1964

Area President, South America
MBA
Production Engineer
Chemical Engineer
Brazilian citizen

Tero Kokko
born 1973

Area President, EMEA
Ph.D. (Eng.)
M.Sc. (Econ.)
Finnish citizen

Xiangdong Zhu
born 1967

Area President, China
B.Sc. (Eng.)
MBA
Chinese citizen

Petri Paukkunen
born 1966

Area President, Asia-Pacific
B.Sc. (Eng.)
Finnish citizen

Katri Hokkanen
born 1981

CFO
M.Sc. (Econ.)
Finnish citizen

Julia Macharey
born 1977

Senior Vice President,
Human Resources and
Operational Development
M.Sc. (Econ.)
B.A. (Intercultural
Communication)
Finnish citizen

Anu Salonsaari-Posti
born 1968

Senior Vice President, Marketing,
Communications, Sustainability
and Corporate Relations
M.Sc. (Econ.)
MBA
Finnish citizen

Valmet announced on August 18, 2023, that President and CEO Pasi Laine will resign from Valmet during 2024.
The Board of Directors has initiated the search for a successor.
Vesa Simola was Area President, EMEA until May 31, 2023.
Jari Vähäpesola was Business Line President, Paper until August 31, 2023.
Julia Macharey left Valmet on January 31, 2024.

More information about Valmet's Executive Team: www.valmet.com/management

Information for investors

WHY INVEST IN VALMET?

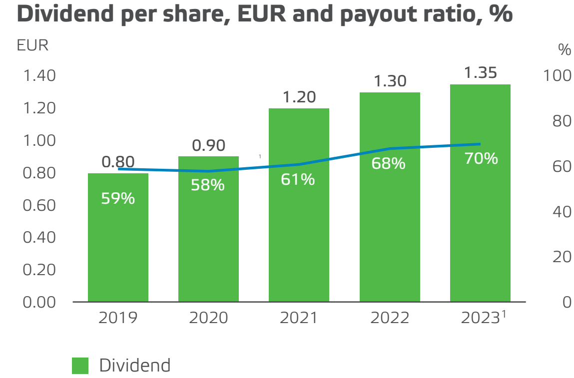
1. Unique offering to support a growing market
2. Process Technologies segment benefiting from the growing demand for bio-based products and energy
3. EUR 3.1 billion recurring and steadily growing stable business
4. Services segment's demand driven by large and growing global installed base
5. Automation segment with high growth and profitability
6. Future growth possibilities from new sustainable innovations
7. Building Valmet on positive megatrends and strategy of renewal and continuous development

BASIC INFORMATION ON VALMET SHARE

- Votes per share: 1
- Listed: Nasdaq Helsinki (since January 2, 2014)
- Trading currency: EUR
- Segment: Large
- Sector: Industrial Goods and Services
- Trading code: VALMT
- ISIN code: FI4000074984

Valmet is a global leader in sustainability

Dividend per share, EUR and payout ratio, %



[1] Board of Directors' proposal.

Share capital and share data[1]

	2023	2022	2021
Share capital, December 31, EUR million	**140**	140	100
Number of shares, December 31:			
Number of outstanding shares	**184,161,105**	184,184,830	149,471,196
Treasury shares held by the Parent Company	**368,500**	344,775	393,423
Total number of shares	**184,529,605**	184,529,605	149,864,619
Average number of outstanding shares	**184,151,827**	175,617,981	149,467,939
Average number of diluted outstanding shares	**184,151,827**	175,617,981	149,467,939
Trading volume on Nasdaq Helsinki Ltd.[2]	**103,147,588**	125,393,868	97,242,422
% of total shares for public trading	**56%**	68%	65%
Earnings per share, EUR	**1.94**	1.92	1.98
Earnings per share, diluted, EUR	**1.94**	1.92	1.98
Adjusted earnings per share, EUR	**2.28**	2.37	2.09
Dividend per share, EUR	**1.35**[3]	1.30	1.20
Dividend, EUR million	**249**[3]	239	179
Dividend payout ratio	**70%**[3]	68%	61%
Effective dividend yield	**5.2%**[3]	5.2%	3.2%
Price to earnings ratio (P/E)	**13.5**	13.1	19.1
Equity per share, December 31, EUR	**13.93**	13.55	8.87
Highest share price, EUR	**32.99**	38.59	38.53
Lowest share price, EUR	**19.64**	19.95	23.02
Volume-weighted average share price, EUR	**26.35**	26.90	32.58
Share price, December 31, EUR	**26.11**	25.16	37.72
Market capitalization, December 31, EUR million	**4,818**	4,643	5,653

[1] The formulas for calculation of figures are presented in the section 'Formulas for calculation of indicators'.
[2] In addition to Nasdaq Helsinki Ltd., Valmet shares are also traded on other market places, such as Cboe DXE, Turquoise, BATS, Chi-X and Frankfurt. A total of approximately 50 million of Valmet's shares were traded on these five alternative marketplaces in 2023. (Source: www.valmet.com/investors/valmet-share/trading-volumes/).
[3] Board of Directors' proposal.

Development of Valmet's share price, January 1–December 31, 2023

Feb 2 Financial Statements Review 2022
Mar 8 Capital Markets Day
Mar 22 Annual General Meeting

Apr 5 The first instalment of the dividend paid
Apr 26 Interim Review, January–March 2023

July 26 Half Year Financial Review, January–June 2023
Aug 18 President and CEO Pasi Laine to resign from Valmet during 2024

Oct 12 The second instalment of the dividend paid
Oct 25 Interim Review, January–September 2023

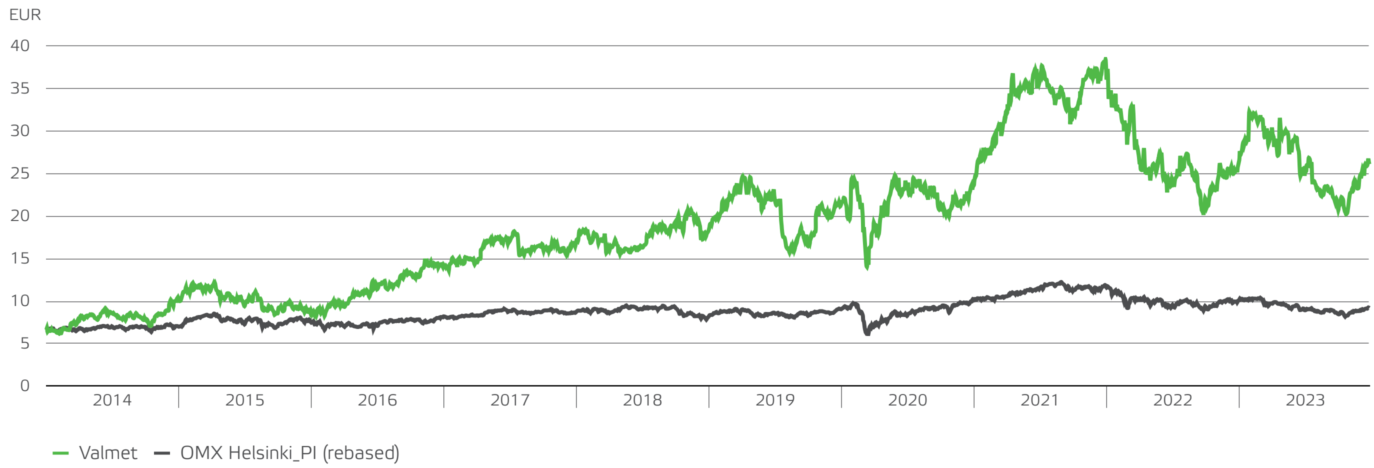
Major orders booked in Q1:
- Coated board machine to the USA
- Pulp technology to Portugal
- Tissue line to Sweden

Major orders booked in Q2:
- Fine paper making line to China
- Key pulp mill technology to China
- Key pulp and paper technologies to India
- Conversion of a coal-fired district heat boiler to a pellet-fired BFB boiler in Finland

Major orders booked in Q3:
- Multiple technologies for board, pulp and tissue production to China
- Tissue production line to the USA

Major orders booked in Q4:
- Biomass power plant to Sweden
- Key technology to a folding boxboard line in China
- Tissue paper making line and a biomass boiler to Brazil

Development of Valmet's share price since listing, January 2, 2014–December 31, 2023



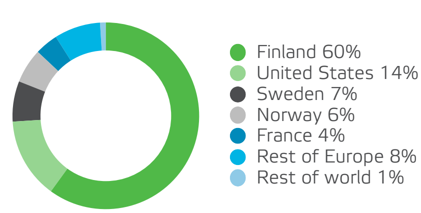
Shareholders

The number of registered shareholders at the end of December 2023 was 100,752 (89,056).

Distribution of shareholding by sector, %

On December 31, 2023. Source: Euroclear.

Geographical distribution of ownership



On December 31, 2023. Source: Modular Finance, indicative.

MORE INFORMATION
ON SHAREHOLDERS

Largest shareholders on December 31, 2023

	Shares	% of share capital
1 Solidium Oy	18,640,665	10.10%
2 Oras Invest Oy	16,700,000	9.05%
3 Varma Mutual Pension Insurance Company	7,795,983	4.22%
4 Ilmarinen Mutual Pension Insurance Company	5,738,366	3.11%
5 Elo Mutual Pension Insurance Company	2,711,000	1.47%
6 Finnish State Pension Fund	2,400,000	1.30%
7 OP-Finland	1,039,946	0.56%
8 Evli Finland Select Fund	743,261	0.40%
9 Finnish Cultural Foundation	720,684	0.39%
10 Sigrid Jusélius Foundation	716,954	0.39%
11 Samfundet Folkhälsan i Svenska Finland	661,923	0.36%
12 Aktia Capital Mutual Fund	659,080	0.36%
13 Nordea Pro Finland Fund	594,792	0.32%
14 Danske Invest Finnish Equity Fund	574,836	0.31%
15 FIM Fenno Mutual Fund	544,023	0.29%

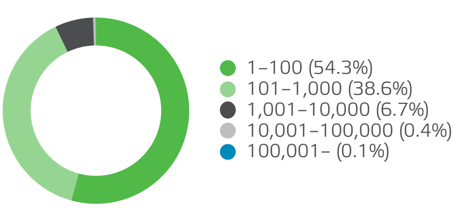
Source: Euroclear.

Flagging notifications in 2023

During the review period, Valmet received the following flagging notification referred to in the Securities Market Act:

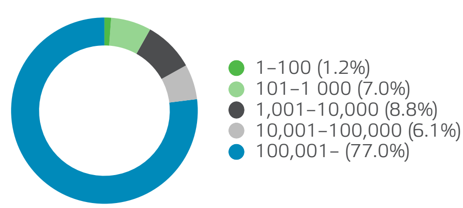
Transaction date	Shareholder	Threshold	% of shares and voting rights, direct	% of shares and voting rights through financial instruments	Total holding, %
Dec 27, 2023	The Goldman Sachs Group, Inc.	Above 5%	0.05%	6.66%	**6.71%**

Distribution of shareholders by number of shares held, %



On December 31, 2023. Source: Euroclear.

Distribution of voting rights, shareholders grouped by number of shares held, %



On December 31, 2023. Source: Euroclear.

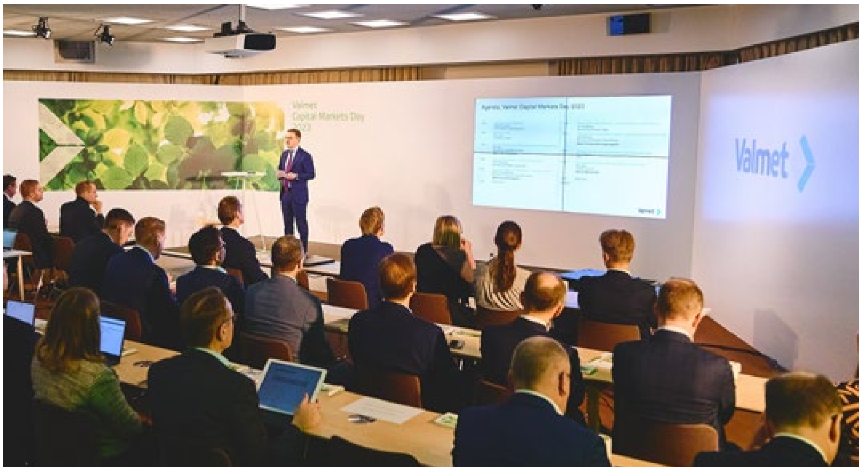
Shareholdings of the Board of Directors in Valmet Oyj on December 31, 2023

		Shares
Mäkinen, Mikael	Chair of the Board	9,364
Eskola, Jaakko	Vice Chair of the Board	3,472
Cantell, Aaro	Member of the Board	9,247
Hämälainen, Anu	Member of the Board	3,078
Kemppainen, Pekka	Member of the Board	5,417
Lindberg, Per	Member of the Board	2,473
Maurer, Monika	Member of the Board	5,417
Söderström, Eriikka	Member of the Board	6,547
Total		**45,015**
% of outstanding shares		**0.02%**

Shareholdings of the Executive Team in Valmet Oyj on December 31, 2023

		Shares
Laine, Pasi	President and CEO	185,946
Hokkanen, Katri	CFO	7,145
Kokko, Tero	Area President, EMEA	2,608
Macharey, Julia	SVP, Human Resources and Operational Development	41,110
Niemi, Aki	Business Line President, Services	65,762
Paukkunen, Petri	Area President, Asia Pacific	11,658
Rasinmäki, Petri	Business Line President, Paper	1,717
Riekkola, Sami	Business Line President, Pulp and Energy	19,105
Salonsaari-Posti, Anu	SVP, Marketing, Communications, Sustainability and Corporate Relations	33,693
Sääskilahti, Simo	Business Line President, Flow Control	4,401
Tacla, Celso	Area President, South America	97,742
Tiitinen, Jukka	Area President, North America	96,822
Torttila-Miettinen, Emilia	Business Line President, Automation Systems	734
Zhu, Xiangdong	Area President, China	33,607
Total		**602,050**
% of outstanding shares		**0.33%**

Investor Relations



Valmet organized a Capital Markets Day on March 8, 2023, in Espoo, Finland.

INVESTOR RELATIONS IN 2023

~280

MEETINGS AND CONFERENCE CALLS

~430

INVESTORS PARTICIPATED

32

ROADSHOW DAYS

Mission and goal

The main task of Valmet's Investor Relations is to ensure that the markets have correct and sufficient information for determining the value of Valmet's share. Investor Relations is responsible for planning and executing financial and investor communications and takes care of Valmet's investor interaction. In addition to Financial Statements, Interim Reviews, the investor website, stock exchange releases and press releases, Valmet's investor communication involves investor meetings, seminars, webcasts, site visits and general meetings. Valmet also arranges regular Capital Markets Days.

Valmet's investor website and social media channels

Valmet's investor website provides a comprehensive set of information about Valmet's business environment, strategy, business lines and financial performance. In addition to financial reports, presentations, webcast recordings and interactive share and ownership tools, the website features videos and the Investor Relations blog for more topics tailored to investors' interests. Valmet's social media channels for investors are @ValmetIR in X and @valmet_sijoituskohteena in Instagram (for the Finnish speaking audience). The number of social media followers continues to grow, and we had over 2,000 followers on our accounts at the end of 2023.

Investor relations in 2023

In 2023, Valmet held ca. 280 investor meetings and conference calls, which were participated by ca. 430 institutional investors. The highlight of the year was Capital Markets Day, which Valmet organized in Espoo, Finland in March. All five Business Line Presidents presented in the event along with the CEO and CFO. 40 guests filled the room at the venue and more than 400 people attended via webcast. All the CMD presentations and link to webcast recording can be found on the investor website: www.valmet.com/cmd2023.

In November, Valmet arranged a site visit for institutional investors and analysts to Valmet's factory in Shanghai, China. The event showcased Valmet's successful journey in the Chinese market, offering investors and analysts an opportunity to gain in-depth understanding of the company's operations in China. You can find a blog post and a video about the site visit here: www.valmet.com/investors/events-and-calendar/site-visits/.

Silent period

Valmet observes a 21-day silent period prior to the publication of financial results. During this time, Valmet does not comment on the company's financial situation, markets, outlook, or recent development. During the silent period, Valmet's executives and employees do not meet with representatives of capital markets or financial media to comment on issues related to the company's financial situation, market outlook or business prospects.

FREQUENTLY ASKED QUESTIONS

How big is Valmet's market share?

Valmet has leading market positions: it is globally either #1, #2 or #3 in most of its businesses. As a provider of board and paper making technology, Valmet's market share is 50–60 percent, and in tissue ca. 35 percent. In these businesses, Valmet is the global market leader. As a supplier of pulp manufacturing technology, Valmet has a 30–35 percent market share, and in energy 15–25 percent. In automation systems, Valmet's market share is ca. 26 percent in the pulp and paper industry, and ca. 14 percent in energy and process industries. In flow control, Valmet is among the top 10 companies globally. Finally, in services Valmet's market share is ca. 21 percent.

What are the market drivers for Valmet's businesses?

Global trade and e-commerce as well as a shift away from plastic packaging increase board and paper consumption, while rising living standards drive the demand for tissue. Pulp is a raw material for paper, board, and tissue, so the demand for pulp is also growing over time. Energy transition and supply security as well as emission control drive growth for Valmet's energy solutions. In the services and automation businesses, the market drivers include customer demand for sustainability, efficiency, and digitalization, as well as the large and aging installed base.

What are Valmet's long-term financial targets?

In the Services and Automation segments, Valmet targets net sales growth of over two times the market growth. In the Process Technologies segment, growth should exceed market growth. Valmet's profitability target is a comparable EBITA margin of 12–14 percent. The targeted comparable return on capital employed (pre-tax ROCE) is at least 15 percent. As for dividend, Valmet targets to pay out at least 50 percent of net profit.

Analyst coverage

According to Valmet's knowledge, the following analysts have regular coverage on Valmet share:

Company	Analyst
BNP Paribas	Christoph Blieffert
Carnegie Investment Bank	Tom Skogman
Danske Bank	Panu Laitinmäki
DNB Markets	Tomi Railo
Handelsbanken	Timo Heinonen
Inderes	Antti Viljakainen
Jyske Bank	Morten Holm Enggaard
Kepler Cheuvreux	Johan Eliason
Nordea Markets	Mikael Doepel
OP Corporate Bank	Henri Parkkinen
SEB	Antti Kansanen
UBS	Sven Weier

Analyst contact information and consensus estimates are available on Valmet's investor website. Valmet does not take any responsibility for the content, accuracy or completeness of the views of the capital market representatives.

Financial calendar 2024

March 21, 2024	Annual General Meeting
April 3, 2024	Silent period begins
April 24, 2024	Interim Review for January–March 2024
July 3, 2024	Silent period begins
July 24, 2024	Half Year Financial Review for January–June 2024
October 9, 2024	Silent period begins
October 30, 2024	Interim Review for January–September 2024

The calendar is available on Valmet's investor website.

Valmet Investor Relations

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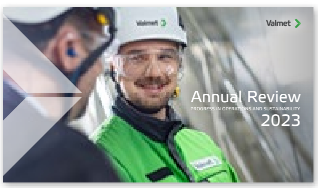
IR magazine Award nominee Europe 2023

BEST PRACTICE AWARDS 2023 SHORTLISTED

Valmet reports 2023

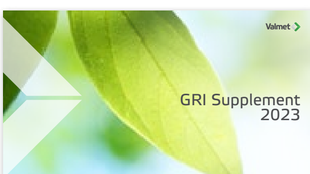
FINANCIAL STATEMENTS AND REPORT OF THE BOARD OF DIRECTORS 2023

The report includes Valmet's Financial Statements and Report of the Board of Directors for 2023.



ANNUAL REVIEW 2023

The report covers Valmet's market environment and the progress of its strategy, operations and sustainability in 2023.



GRI SUPPLEMENT 2023

The report includes Valmet's sustainability reporting indicators and principles, and its alignment with the Global Reporting Initiative (GRI) Standards framework in 2023.

CORPORATE GOVERNANCE STATEMENT 2023

The report covers Valmet's governance principles and activities, Board of Directors and management in 2023.

REMUNERATION REPORT 2023

The report covers Valmet's remuneration principles and remuneration in 2023.

Contacts

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instagram.com/valmetglobal

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