Interim Review

January 1 – March 31, 2020

Valmet

Valmet's Interim Review
January 1 – March 31, 2020

Orders received increased to EUR 1.2 billion and Comparable EBITA to EUR 52 million

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

January–March 2020: Record-high orders received

- Orders received increased 42 percent to EUR 1,187 million (EUR 835 million).
  - Orders received increased in the Pulp and Energy, Paper and Services business lines and remained at the previous year's level in the Automation business line.
  - Orders received increased in South America, China and EMEA (Europe, Middle East and Africa), and decreased in Asia-Pacific and North America.
- Net sales increased 20 percent to EUR 821 million (EUR 686 million).
  - Net sales increased in all business lines.
- Comparable earnings before interest, taxes and amortization (Comparable EBITA) were EUR 52 million (EUR 47 million), and the corresponding Comparable EBITA margin was 6.3 percent (6.9%).
- Earnings per share were EUR 0.20 (EUR 0.21).
- Items affecting comparability amounted to EUR -1 million (EUR 2 million).
- Cash flow provided by operating activities was EUR 173 million (EUR 30 million).

Dividend proposal

The Board of Directors proposes for the Annual General Meeting that a dividend of EUR 0.80 per share be paid for the financial year 2019. The proposed dividend equals to 59 percent of Valmet's net result in 2019.

Guidance for 2020

Valmet announced on April 16, 2020 that the company withdraws its guidance for 2020 due to increased uncertainty related to the COVID-19 pandemic.

Short-term outlook

General economic outlook

As a result of the COVID-19 pandemic, the global economy is projected to contract sharply by 3 percent in 2020, much worse than during the 2008–2009 financial crisis. In a baseline scenario, which assumes that the pandemic fades in the second half of 2020 and containment efforts can be gradually unwound, the global economy is projected to grow by 5.8 percent in 2021 as economic activity normalizes, helped by policy support. The risks for even more severe outcomes, however, are substantial. (International Monetary Fund, April 14, 2020)

Short-term market outlook

Valmet estimates that the short-term market outlook in services has decreased to a satisfactory/weak level (previously good level) and the short-term market outlook in automation has decreased to a good/satisfactory level (previously good level).

Valmet reiterates the good short-term market outlook for pulp, and board and paper, and the satisfactory short-term market outlook for energy, and tissue.

President and CEO Pasi Laine: Orders received and Comparable EBITA increased

"Valmet's orders received increased and amounted to EUR 1,187 million in the first quarter of 2020. This is a record-high quarterly order intake for us. The development was strong in the capital business, where orders received totaled EUR 697 million and almost doubled from the comparison period. Orders received in the stable business[1] increased 12 percent (4% without the acquired businesses). Our order backlog increased to a record high of EUR 3,557 million. Net sales and Comparable EBITA increased as well.

The main global news headline of the first quarter was the COVID-19 pandemic. The pandemic impacted our operations and led to delays in certain capital projects and delays in execution in services and automation. Valmet has a solid foundation to cope with the virus and our long-term growth drivers have not changed. However, the spread of the coronavirus has increased uncertainty for the rest of the year. Due to the increased uncertainty, Valmet has withdrawn its guidance for 2020."

Key figures[2]

EUR million	Q1/2020	Q1/2019	Change	2019
Orders received	**1,187**	835	42%	3,986
Order backlog[3]	**3,557**	3,001	19%	3,333
Net sales	**821**	686	20%	3,547
Comparable earnings before interest, taxes and amortization (Comparable EBITA)	**52**	47	9%	316
% of net sales	**6.3%**	6.9%		8.9%
Earnings before interest, taxes and amortization (EBITA)	**51**	49	3%	315
% of net sales	**6.2%**	7.1%		8.9%
Operating profit (EBIT)	**42**	43	-1%	281
% of net sales	**5.1%**	6.2%		7.9%
Profit before taxes	**40**	41	-3%	269
Profit for the period	**30**	31	-5%	202
Earnings per share, EUR	**0.20**	0.21	-4%	1.35
Earnings per share, diluted, EUR	**0.20**	0.21	-4%	1.35
Equity per share, EUR[3]	**6.72**	5.82	15%	6.95
Cash flow provided by operating activities	**173**	30	>100%	295
Cash flow after investments	**156**	13	>100%	58
Return on equity (ROE) (annualized)	**12%**	14%		20%
Return on capital employed (ROCE) before taxes (annualized)	**13%**	15%		23%
Equity to assets ratio[3]	**41%**	37%		41%
Gearing[3]	**-22%**	-20%		-9%

[2] *The calculation of key figures is presented on page 37.*

[3] *At the end of period*

[1] Including internal orders received for the Automation business line.

Orders received, EUR million	Q1/2020	Q1/2019	Change	2019
Services	**398**	358	11%	1,459
Automation	**92**	95	-3%	359
Pulp and Energy	**376**	201	87%	1,125
Paper	**321**	182	76%	1,043
Total	**1,187**	835	42%	3,986

Order backlog, EUR million	As at Mar 31, 2020	As at Mar 31, 2019	Change	As at Dec 31, 2019
Total	**3,557**	3,001	19%	3,333

Net sales, EUR million	Q1/2020	Q1/2019	Change	2019
Services	**295**	276	7%	1,374
Automation	**69**	64	8%	341
Pulp and Energy	**240**	160	50%	919
Paper	**217**	186	16%	913
Total	**821**	686	20%	3,547

News conference and webcast for analysts, investors and media

Valmet will arrange a news conference in English as a live webcast at www.valmet.com/webcasts on Thursday, April 23, 2020 at 1:30 p.m. Finnish time (EET).

It is possible to take part in the news conference through a conference call. Conference call participants are requested to dial in at least five minutes prior to the start of the conference, at +44 2071 928000. The participants will be asked to provide the following conference ID: 3685355. All questions should be presented in English.

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

Due to the COVID-19 pandemic, the news conference cannot be attended at Valmet Headquarters in Espoo.

Valmet's Interim Review January 1 – March 31, 2020

Orders received increased in Pulp and Energy, Paper and Services business lines

Orders received, EUR million	Q1/2020	Q1/2019	Change	2019
Services	**398**	358	11%	1,459
Automation	**92**	95	-3%	359
Pulp and Energy	**376**	201	87%	1,125
Paper	**321**	182	76%	1,043
Total	**1,187**	835	42%	3,986

Orders received, comparable foreign exchange rates, EUR million[1]	Q1/2020	Q1/2019	Change	2019
Services	**401**	358	12%	1,459
Automation	**94**	95	-1%	359
Pulp and Energy	**396**	201	98%	1,125
Paper	**323**	182	77%	1,043
Total	**1,214**	835	45%	3,986

[1] *Indicative only. January to March 2020 orders received in euro calculated by applying January to March 2019 average exchange rates to the functional currency orders received values reported by entities.*

Orders received, EUR million	Q1/2020	Q1/2019	Change	2019
North America	**143**	166	-14%	880
South America	**263**	41	>100%	670
EMEA	**391**	324	21%	1,690
China	**249**	89	>100%	267
Asia-Pacific	**142**	215	-34%	479
Total	**1,187**	835	42%	3,986

Orders received by business line, Q1/2020

Orders received by area, Q1/2020

Orders received increased 42 percent to EUR 1,187 million (EUR 835 million) in January–March. The Services and Automation business lines together accounted for 41 percent (54%) of Valmet's orders received. Orders received increased in the Pulp and Energy, Paper and Services business lines and remained at the previous year's level in the Automation business line. The businesses that were acquired in the second quarter of 2019 (GL&V and J&L Fiber Services) contributed EUR 39 million to orders received.

Orders received increased in South America, China and EMEA, and decreased in Asia-Pacific and North America. Measured by orders received, the top three countries were Brazil, China and the USA, which together accounted for 52 percent of total orders received. The emerging markets accounted for 55 percent (49%) of orders received.

Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2019 decreased orders received by approximately EUR 27 million in January–March.

During January–March, Valmet received among others an order for key pulp mill technology and automation to Brazil, typically valued at around EUR 200–250 million, an order for a coated board making line to China, typically valued at around EUR 150–200 million, and an order for a flue gas condensing plant to Finland, typically valued at around EUR 20–30 million.

Order backlog higher than at the end of 2019

Order backlog, EUR million	**As at Mar 31, 2020**	As at Mar 31, 2019	Change	As at Dec 31, 2019
Total	**3,557**	3,001	19%	3,333

Order backlog amounted to EUR 3,557 million at the end of the reporting period, 7 percent higher than at the end of year 2019 and 19 percent higher than at the end of March 2019. Approximately 30 percent of the order backlog relates to stable business (Services and Automation business lines, approximately 30% at the end of March 2019). Approximately 60 percent of the order backlog is currently expected to be realized as net sales during 2020 (at the end of March 2019, approximately 65% was expected to be realized as net sales during 2019).

Net sales increased in all business lines

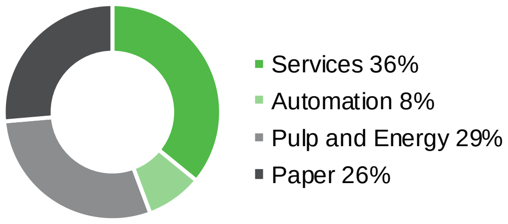
Net sales, EUR million	**Q1/2020**	Q1/2019	Change	2019
Services	**295**	276	7%	1,374
Automation	**69**	64	8%	341
Pulp and Energy	**240**	160	50%	919
Paper	**217**	186	16%	913
Total	**821**	686	20%	3,547

Net sales, comparable foreign exchange rates, EUR million[1]	**Q1/2020**	Q1/2019	Change	2019
Services	**295**	276	7%	1,374
Automation	**69**	64	8%	341
Pulp and Energy	**247**	160	54%	919
Paper	**217**	186	17%	913
Total	**828**	686	21%	3,547

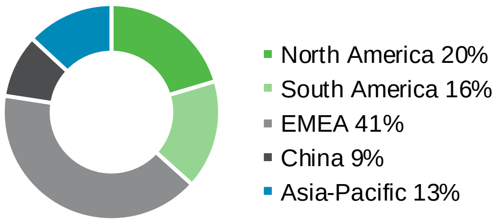
[1] *Indicative only. January to March 2020 net sales in euro calculated by applying January to March 2019 average exchange rates to the functional currency net sales values reported by entities.*

Net sales, EUR million	Q1/2020	Q1/2019	Change	2019
North America	**167**	169	-1%	774
South America	**134**	52	>100%	368
EMEA	**334**	298	12%	1,566
China	**78**	102	-23%	465
Asia-Pacific	**107**	66	63%	375
Total	**821**	686	20%	3,547

Net sales by business line, Q1/2020



Net sales by area, Q1/2020



Net sales increased 20 percent to EUR 821 million (EUR 686 million) in January–March. The Services and Automation business lines together accounted for 44 percent (49%) of Valmet's net sales. Net sales increased in all business lines. The businesses that were acquired in the second quarter of 2019 contributed EUR 42 million to net sales.

Net sales increased in South America, Asia-Pacific and EMEA, remained at the previous year's level in North America and decreased in China. Measured by net sales, the top three countries were the USA, Brazil and China, which together accounted for 34 percent of total net sales. Emerging markets accounted for 45 percent (38%) of net sales.

Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2019 decreased net sales by approximately EUR 7 million in January–March.

Comparable EBITA and operating profit

In January–March, comparable earnings before interest, taxes and amortization (Comparable EBITA) were EUR 52 million, i.e. 6.3 percent of net sales (EUR 47 million and 6.9%).

Operating profit (EBIT) in January–March was EUR 42 million, i.e. 5.1 percent of net sales (EUR 43 million and 6.2%). Items affecting comparability amounted to EUR -1 million (EUR 2 million).

Net financial income and expenses

Net financial income and expenses in January–March were EUR -1 million (EUR -2 million).

Profit before taxes and earnings per share

Profit before taxes for January–March was EUR 40 million (EUR 41 million). The profit attributable to owners of the parent in January–March was EUR 30 million (EUR 31 million), corresponding to earnings per share (EPS) of EUR 0.20 (EUR 0. 21).

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

In January–March, the annualized return on capital employed (ROCE) before taxes was 13 percent (15%) and return on equity (ROE) 12 percent (14%).

Business lines

Services: Orders received and net sales increased

Services business line	Q1/2020	Q1/2019	Change	2019
Orders received (EUR million)	**398**	358	11%	1,459
Net sales (EUR million)	**295**	276	7%	1,374
Personnel (end of period)	**6,279**	5,576	13%	6,461

In January–March, orders received by the Services business line increased 11 percent to EUR 398 million (EUR 358 million). Services accounted for 34 percent of all orders received (43%). Orders received increased in all other areas except Asia-Pacific, where orders received remained at the previous year's level. Orders received increased in Energy and Environmental, and Performance Parts, remained at the previous year's level in Rolls, and decreased in Mill Improvements, and Fabrics. The businesses that were acquired in the second quarter of 2019 contributed EUR 37 million to Services orders received. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2019 decreased orders received by approximately EUR 3 million.

Net sales for the Services business line amounted to EUR 295 million (EUR 276 million) in January–March, corresponding to 36 percent (40%) of Valmet's net sales. The businesses that were acquired in the second quarter of 2019 contributed EUR 37 million to Services net sales. COVID-19 had a negative impact on net sales in field services, mill improvement projects and energy services. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2019 had no material impact on net sales.

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

Automation business line	Q1/2020	Q1/2019	Change	2019
Orders received (EUR million)	**92**	95	-3%	359
Net sales (EUR million)	**69**	64	8%	341
Personnel (end of period)	**1,924**	1,816	6%	1,908

In January–March, orders received by the Automation business line remained at the previous year's level and were EUR 92 million (EUR 95 million). Automation accounted for 8 percent (11%) of Valmet's orders received. Orders received increased in South America and China, and decreased in Asia-Pacific, North America and EMEA. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2019 decreased orders received by approximately EUR 2 million.

Net sales for the Automation business line amounted to EUR 69 million (EUR 64 million) in January–March, corresponding to 8 percent (9%) of Valmet's net sales. COVID-19 caused access restrictions to some customer sites. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2019 had no material impact on net sales.

Pulp and Energy: Orders received and net sales increased

Pulp and Energy business line	Q1/2020	Q1/2019	Change	2019
Orders received (EUR million)	**376**	201	87%	1,125
Net sales (EUR million)	**240**	160	50%	919
Personnel (end of period)	**1,800**	1,762	2%	1,788

In January–March, orders received by the Pulp and Energy business line increased 87 percent to EUR 376 million (EUR 201 million). Pulp and Energy accounted for 32 percent of all orders received (24%). Orders received increased South America and EMEA, and decreased in Asia-Pacific, North America and China. Orders received increased in both Pulp and Energy. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2019 decreased orders received by approximately EUR 21 million.

Net sales for the Pulp and Energy business line amounted to EUR 240 million (EUR 160 million) in January–March, corresponding to 29 percent (23%) of Valmet's net sales. COVID-19 caused some customer site closures and led to some delays in the supply chain network. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2019 decreased net sales by approximately EUR 6 million.

Paper: Orders received and net sales increased

Paper business line	Q1/2020	Q1/2019	Change	2019
Orders received (EUR million)	**321**	182	76%	1,043
Net sales (EUR million)	**217**	186	16%	913
Personnel (end of period)	**3,019**	2,881	5%	2,908

In January–March, orders received by the Paper business line increased 76 percent to EUR 321 million (EUR 182 million) and accounted for 27 percent of all orders received (22%). Orders received increased in China and EMEA, and decreased in North America, South America and Asia-Pacific. Orders received increased in Board and Paper, as well as Tissue. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2019 decreased orders received by approximately EUR 2 million.

Net sales for the Paper business line amounted to EUR 217 million (EUR 186 million) in January–March, corresponding to 26 percent (27%) of Valmet's net sales. COVID-19 caused some customer site closures and led to some delays in the supply chain network. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2019 decreased net sales by approximately EUR 1 million.

Cash flow and financing

Cash flow provided by operating activities amounted to EUR 173 million (EUR 30 million) in January–March. Net working capital totaled EUR -614 million (EUR -557 million) at the end of the reporting period. Change in net working capital in the statement of cash flows was EUR 150 million (EUR -20 million) in January–March. Payment schedules of large capital projects have a significant impact on net working capital development. Cash flow after investments totaled EUR 156 million (EUR 13 million) in January–March.

At the end of March, gearing was -22 percent (-20%) and equity to assets ratio was 41 percent (37%). Interest-bearing liabilities amounted to EUR 246 million (EUR 360 million), and net interest-bearing liabilities totaled EUR -220 million (EUR -174 million) at the end of the reporting period.

The average maturity of Valmet's non-current debt was 3.7 years, and average interest rate was 0.9 percent at the end of March. Lease liabilities, which are discussed in detail in the notes to consolidated interim financial statements, have been excluded from calculation of these two key performance indicators.

Valmet's liquidity was strong at the end of the reporting period, with cash and cash equivalents amounting to EUR 417 million (EUR 486 million) and interest-bearing current financial assets totaling EUR 49 million (EUR 47 million). The outstanding Nordic Investment Bank loan was repaid and replaced with a new 10-year EUR 50 million loan in January. Valmet's liquidity was additionally secured by a committed revolving credit facility worth of EUR 200 million, which matures in 2024 and was undrawn at the end of the reporting period, and an uncommitted commercial paper program worth of EUR 200 million, of which EUR 30 million was outstanding at the end of the reporting period.

Capital expenditure

Gross capital expenditure (excluding business combinations and leased assets) totaled EUR 17 million (EUR 18 million) in January–March, of which maintenance investments were EUR 6 million (EUR 8 million).

Acquisitions and disposals

Acquisitions

Valmet made no acquisitions during January–March 2020.

Disposals

Valmet made no disposals during January–March 2020.

Number of personnel

Personnel by business line	As at March 31, 2020	As at March 31, 2019	Change	As at December 31, 2019
Services	**6,279**	5,576	13%	6,461
Automation	**1,924**	1,816	6%	1,908
Pulp and Energy	**1,800**	1,762	2%	1,788
Paper	**3,019**	2,881	5%	2,908
Other	**546**	504	8%	533
Total	**13,568**	12,539	8%	13,598

Personnel by area	As at March 31, 2020	As at March 31, 2019	Change	As at December 31, 2019
North America	**1,652**	1,197	38%	1,700
South America	**556**	503	11%	548
EMEA	**8,648**	8,317	4%	8,654
China	**1,802**	1,753	3%	1,797
Asia-Pacific	**910**	769	18%	899
Total	**13,568**	12,539	8%	13,598

Personnel by business line as at March 31, 2020

Personnel by area as at March 31, 2020

In January–March, Valmet employed an average of 13,563 people (12,560). The number of personnel at the end of March was 13,568 (12,539). Personnel expenses totaled EUR 228 million (EUR 209 million) in January–March, of which wages, salaries and remuneration amounted to EUR 178 million (EUR 164 million).

Organizational changes

Valmet announced on January 21, 2020 that it is planning changes in the Fabrics Business Unit which is part of the Services Business Line in order to secure the unit's profitability and future competitiveness. The most important action in the preliminary plan was to move the dryer fabric and wide filter fabric production from Tampere in Finland to Valmet's unit in Portugal. Valmet started co-determination negotiations in Fabrics' operations in Tampere on January 21, 2020.

Valmet announced on March 17, 2020 that the co-determination negotiations have been completed. Valmet will relocate the dryer fabric and wide filter fabric production from Finland to Portugal. As a consequence of the relocation and re-organizing of the work, the need for workforce reduction in Tampere will be 78 persons mainly during 2021. In addition, the possibility for temporary lay-offs and part-time work remains if capacity adjustments need to be done later this year. For those affected by the reductions, Valmet will provide support measures like support for studies and re-employment.

Strategic goals and their implementation

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

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

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

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

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

On February 5, 2020, Valmet announced the Board of Directors' decision to raise Valmet's financial targets for Comparable EBITA margin and return on capital employed. Valmet's new target for Comparable EBITA margin is 10–12% (previously 8–10%). The new target for Comparable return on capital employed (ROCE) before taxes is at least 20% (previously 15–20%). Valmet's other financial targets remained unchanged.

Valmet's financial targets are the following:

Financial targets

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

Continued focus on improving profitability

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

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

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

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

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

Progress in sustainability

In 2020, Valmet has continued its strong track record of sustainability acknowledgements. In January, Valmet achieved the best rating in CDP's climate program ranking, and in February, Valmet was awarded the Bronze Class Sustainability Award in SAM Sustainability Yearbook 2020.

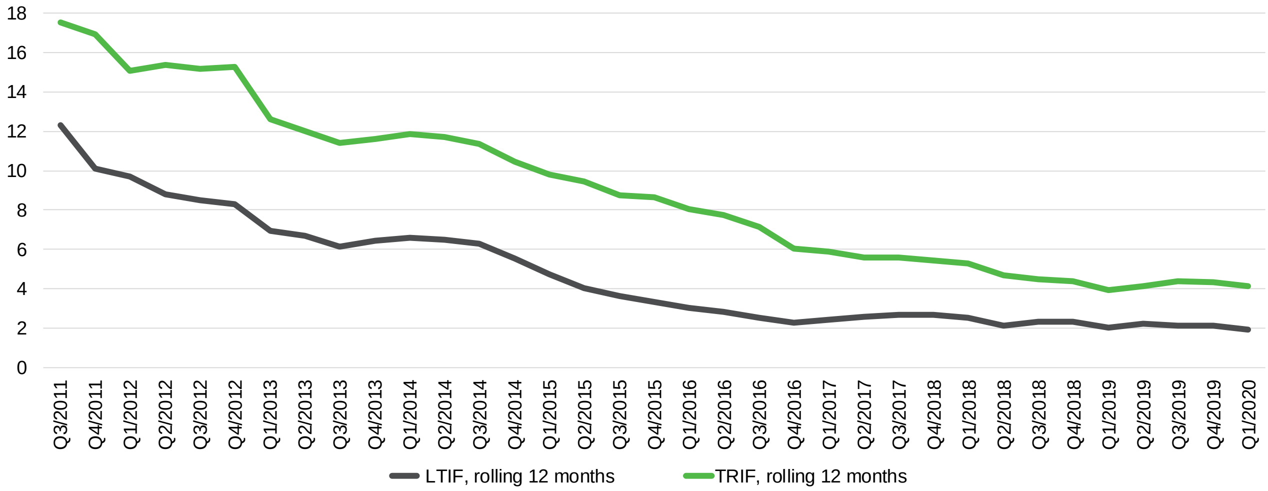
Valmet's lost time incident frequency rate (LTIF) for own employees continued to decrease and was 1.9 at the end of March (2.0 at the end of March 2019). Valmet launched its largest training program so far, the Safety dialogue training, with the aim of actively engaging every team in a meaningful dialogue on making

Valmet and the industry safer. During the first quarter, Valmet also took preventive and protective measures as part of its global coronavirus management strategy.

In January, Valmet announced its new long-term social responsibility program with the key themes “Equal opportunities for wellbeing”, “Towards the future with science” and “Protecting the planet for next generations”. As a first step in the program implementation, Valmet signed a three-year agreement with Save the Children Finland to support their Child Sensitive Social Protection project in Dungarpur, India.

As part of its Annual Report 2019, published on February 25, 2020, Valmet reported on the progress of its sustainability performance in 2019. Valmet also published a separate GRI Supplement and Disclosure of non-financial information as a part of the Financial Statements 2019. Valmet’s sustainability reporting in 2019 is in accordance with the Core option of the GRI Standards from the Global Reporting Initiative, with selected indicators assured by an independent third party.

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



[1] *LTIF reflects the number of injuries resulting in an absence of at least one work day per million hours worked*
[2] *LTIF + medical treatment and restricted work cases*

Lawsuits and claims

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

Valmet announced on December 22, 2016 that it has received a reassessment decision from the Finnish tax authority for Valmet Technologies Inc. The reassessment decision is a result of a tax audit carried out in the company, concerning tax years 2010–2012. During the first quarter 2017 Valmet paid additional taxes, late payment interests and penalties in total of EUR 19 million related to the reassessment decision. Valmet considers the Finnish tax authority's decision unfounded and has appealed of the decision.

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

Corporate Governance Statement and Remuneration Report

Valmet has prepared a separate Corporate Governance Statement and a Remuneration Report for 2019, which comply with the recommendations of the Finnish Corporate Governance Code for listed companies. These reports also cover other central areas of corporate governance, and they have been published on Valmet's website, separately from the Report of the Board of Directors, at www.valmet.com/governance.

Shares and shareholders

Share capital, number of shares and shareholders

	As at March 31, 2020	As at March 31, 2019
Share capital, EUR	**100,000,000**	100,000,000
Number of shares	**149,864,619**	149,864,619
Treasury shares	**365,593**	244,027
Shares outstanding	**149,499,026**	149,620,592
Market capitalization, EUR million	**2,678**	3,381
Number of shareholders	**47,928**	43,541

Shareholder structure as at March 31, 2020

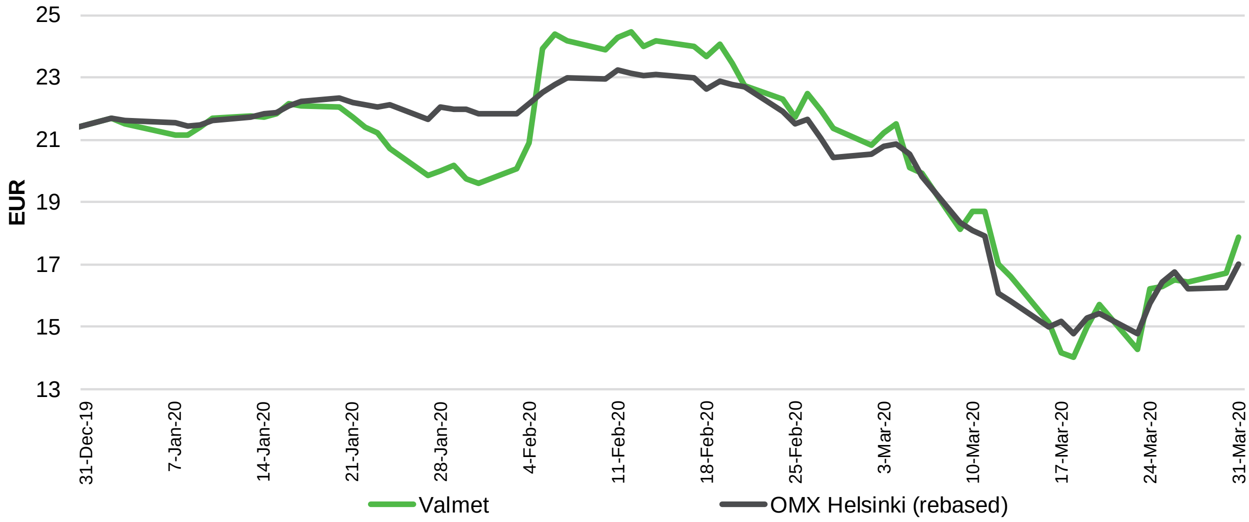
Trading of shares

Trading of Valmet shares on Nasdaq Helsinki	**January 1 – March 31, 2020**	January 1 – March 31, 2019
Number of shares traded	**52,539,922**	34,265,030
Total value, EUR	**1,037,216,747**	728,828,894
High, EUR	**25.20**	23.94
Low, EUR	**13.33**	17.55
Volume-weighted average price, EUR	**19.73**	21.27
Closing price on the final day of trading, EUR	**17.87**	22.56

The closing price of Valmet's share on the final day of trading for the reporting period, March 31, 2020, was EUR 17.87, i.e. 16 percent lower than the closing price on the last day of trading in 2019 (EUR 21.36 on December 30, 2019).

In addition to Nasdaq Helsinki Ltd, Valmet's shares are also traded on other marketplaces, such as Cboe CXE, Cboe BXE and Turquoise. A total of approximately 29 million of Valmet's shares were traded on alternative marketplaces in January–March 2020, which equals to approximately 36 percent of the share's total trade volume (Bloomberg).

Development of Valmet's share price, December 31, 2019 – March 31, 2020



Flagging notifications

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

More information on flagging notifications can be found at www.valmet.com/flagging-notifications.

Board authorizations regarding share repurchase and share issue

Valmet Oyj's Annual General Meeting on March 21, 2019 authorized Valmet's Board of Directors to decide on the repurchase of the Company's own shares in one or several tranches. The maximum number of shares to be repurchased shall be 10,000,000 shares, which corresponds to approximately 6.7 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). Company's own shares may be repurchased using the unrestricted equity of the Company at a price formed on a regulated market on the stock exchange main list upheld by Nasdaq Helsinki Ltd on the date of the repurchase.

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.

The Board of Directors decides on all other terms related to the repurchasing of the Company's own shares.

Valmet Oyj's Annual General Meeting authorized Valmet's Board of Directors to decide on the issuance of shares as well as the issuance of special rights entitling to shares pursuant to Chapter 10(1) of the Finnish Limited Liability Companies Act in one or several tranches. The issuance of shares may be carried out by offering new shares or by transferring treasury shares held by Valmet Oyj. Based on this authorization, the Board of Directors may decide on a directed share issue in deviation from the shareholders' pre-emptive rights, and on the granting of special rights subject to the conditions mentioned in the Finnish Limited Liability Companies Act.

The maximum number of new shares which may be issued by the Board of Directors based on this authorization shall be 15,000,000 shares, which corresponds to approximately 10.0 percent of all the shares in Valmet Oyj. The maximum number of treasury shares which may be issued shall be 10,000,000 shares, which corresponds to approximately 6.7 percent of all the shares in the Company.

The Board of Directors is furthermore authorized to issue special rights pursuant to Chapter 10(1) of the Finnish Limited Liability Companies Act entitling their holder to receive new shares or treasury shares for consideration. The maximum number of shares which may be issued based on the special rights shall be 15,000,000 shares, which corresponds to approximately 10 percent of all the shares in Company. This number of shares shall be included in the aggregate numbers of shares mentioned in the previous paragraph.

The new shares and treasury shares may be issued for consideration or without consideration.

The Board of Directors of Valmet Oyj was also authorized to resolve on issuing treasury shares to the Company without consideration. The maximum number of shares which may be issued to Valmet Oyj shall be 10,000,000 shares when combined with the number of shares repurchased based on an authorization. Such number corresponds to approximately 6.7 percent of all shares in the Company. The treasury shares issued to the Company shall not be taken into account in the limits set out in the preceding paragraphs.

The Board of Directors may decide on all other terms of the issuance of shares and special rights entitling to shares pursuant to Chapter 10(1) of the Finnish Limited Liability Companies Act. The Board of Directors may use this authorization, for example, for reasons of developing the Company's capital structure, in financing or carrying out acquisitions, investments or other business transactions, or for the shares to be used in incentive schemes.

The authorizations shall remain in force until the next Annual General Meeting, and they cancel the authorizations granted in the Annual General Meeting of March 21, 2018.

Use of the authorizations

In its meeting on December 19, 2019, the Board of Directors of Valmet decided to use the authorization granted by the Annual General Meeting held on March 21, 2019 to acquire 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 Plan and the Restricted Shares Pool incentive plans. The share acquisitions began on February 10, 2020 and ended on February 24, 2020. The total number of acquired shares was 270,000. The shares were acquired at market price in public trading on Nasdaq Helsinki Ltd.

In its meeting on December 19, 2019, Valmet's Board of Directors also decided to use the authorization to issue shares. In a directed share issue on March 16, 2020, a total of 152,122 Valmet's treasury shares were conveyed without consideration to the participants of the long-term share-based incentive plan for the discretionary period 2019, in accordance with the terms and conditions of the plan.

As at March 31, 2020, Valmet's Board of Directors had not used the other authorizations given by the Annual General meeting on March 21, 2019.

Share-based incentive plans

Valmet's share-based incentive plans are part of the remuneration program for Valmet's key personnel. The purpose of the plans is to align the goals of shareholders and management to increase the value of the Company, to ensure management commitment, and to offer them a competitive, ownership-based reward scheme. Any shares to be potentially awarded are, or have been, acquired through public trading, and therefore the incentive plans have no diluting effect on the share value.

Long-term incentive plan 2018–2020

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

Performance period	2018	2019	2020
Incentive based on	Comparable EBITA as a percentage of net sales, and orders received growth in the stable business (Services and Automation business lines)	Comparable EBITA as a percentage of net sales, and orders received growth in the stable business (Services and Automation business lines)	Comparable EBITA as a percentage of net sales, and orders received growth in the stable business (Services and Automation business lines)
Potential reward payment	Was paid partly in Valmet shares and partly in cash in spring 2019	Paid partly in Valmet shares and partly in cash in spring 2020	Will be paid partly in Valmet shares and partly in cash in spring 2021
Total number of shares	350,908	276,634	Approximate maximum of 440,000 shares

The Board of Directors of Valmet Oyj approved in December 2017 a share ownership recommendation for Valmet's Executive Team members. All members of the Executive Team are recommended to own and hold an amount of Company shares equaling to their gross annual base salary (100 percent ownership recommendation).

In the end of the reporting period, the Company held 365,593 treasury shares related to the share-based incentive programs.

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

Resolutions of Valmet's Annual General Meeting

The Annual General Meeting 2019 was held in Helsinki on March 21, 2019. The Annual General Meeting adopted the Financial Statements for 2018 and discharged the members of the Board of Directors and the President and CEO from liability for the 2018 financial year. The Annual General Meeting approved the Board of Directors' proposals concerning authorizing the Board to decide on repurchasing Company shares and to resolve on the issuance of shares and the issuance of special rights entitling to shares.

The Annual General Meeting 2019 confirmed the number of Board members as seven and appointed Mikael Mäkinen as Chairman of Valmet Oyj's Board and Aaro Cantell as Vice-Chairman. Pekka Kemppainen, Monika Maurer, Eriikka Söderström, Tarja Tyni and Rogério Ziviani will continue as members of the Board.

The term of office of the members of the Board of Directors expires at the close of the Annual General Meeting 2020.

PricewaterhouseCoopers Oy, authorized public accountants, was appointed 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 21, 2019 concerning the resolutions of the Annual General Meeting and the organizing meeting of the Board of Directors. The stock exchange release and an introduction of the new Chairman can be viewed on Valmet's website at www.valmet.com/agm.

In compliance with the resolution of the Annual General Meeting, on April 4, 2019 Valmet paid out dividends of EUR 97 million for 2018, corresponding to EUR 0.65 per share.

Annual General Meeting 2020 cancelled and postponed to a later date

On March 17,2020, following the development of the coronavirus situation and the announcement by the Finnish Government on March 16, 2020, the Board of Directors of Valmet decided to cancel the Annual General Meeting from March 19, 2020.

Risks and business uncertainties

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

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

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

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

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

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

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

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

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

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

Management of project business risks important

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

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

Availability of financing crucial

Securing the continuity of Valmet's operations requires sufficient available funding under all circumstances. Valmet estimates that its liquid cash assets and committed credit limits are sufficient to secure its immediate liquidity and to ensure the flexibility of financing. The average maturity of Valmet's non-current debt, excluding lease liabilities, is 3.7 years. Loan facilities include customary covenants, and Valmet is in clear compliance with the covenants at the balance sheet date.

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

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

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

As at March 31, 2020, Valmet had EUR 687 million (EUR 618 million) of goodwill on its statement of financial position. Valmet assesses the value of its goodwill for impairment annually, or more frequently if facts and circumstances indicate that a risk of impairment exists. Valmet has not identified any indications of impairment during the reporting period. The principles used for impairment testing are presented in the Financial Statements.

COVID-19 pandemic

Depending on the success in suppressing the COVID-19 pandemic and in case the outbreak will be prolonged, there could be adverse impact on Valmet's operations, customer investment activity, project deliveries, supply chain and availability of financing for both Valmet and its customers. Valmet currently has a large order backlog, strong balance sheet and liquidity coupled with a flexible organization. This will aid Valmet in mitigating the global challenges caused by COVID-19.

Events after the reporting period

On April 16, 2020, Valmet announced that it withdraws the guidance for 2020 due to increased uncertainty caused by the COVID-19 pandemic. The impacts of the pandemic on Valmet's operations and business environment depend on the duration and severity of the crisis.

On April 21, 2020, Valmet announced that due to financial and production related reasons, especially because of the decreasing workload and in order to prepare for the potential widening of the business impacts from the COVID-19 pandemic, the company started co-determination negotiations on April 21, 2020 for temporary lay-offs. The employees under negotiations are the Services business line employees in Finland and EMEA area organization in Finland. The planned lay-offs are temporary and they last up to 90 days at maximum. At the time of the announcement, it was estimated that the need for lay-offs concerns around 200 employees. The targeting of the lay-offs and the number of impacted employees will be finalized during the co-determination negotiations.

On April 23, 2020, Valmet published notice convening the Annual General Meeting. The meeting will take place on June 16, 2020 in Helsinki. The notice and related materials and instructions can be found on Valmet's website at www.valmet.com/agm.

Guidance for 2020

Valmet announced on April 16, 2020 that the company withdraws its guidance for 2020 due to increased uncertainty related to the COVID-19 pandemic.

Short-term outlook

General economic outlook

As a result of the COVID-19 pandemic, the global economy is projected to contract sharply by 3 percent in 2020, much worse than during the 2008–09 financial crisis. In a baseline scenario, which assumes that the pandemic fades in the second half of 2020 and containment efforts can be gradually unwound, the global economy is projected to grow by 5.8 percent in 2021 as economic activity normalizes, helped by policy support. The risks for even more severe outcomes, however, are substantial. (International Monetary Fund, April 14, 2020)

Short-term market outlook

Valmet estimates that the short-term market outlook in services has decreased to a satisfactory/weak level (previously good level) and the short-term market outlook in automation has decreased to a good/satisfactory level (previously good level).

Valmet reiterates the good short-term market outlook for pulp, and board and paper, and the satisfactory short-term market outlook for energy, and tissue.

Board of Director's proposal for the distribution of profit

Valmet Oyj's distributable funds on December 31, 2019 totaled EUR 1,165,761,301.98 of which the net profit for 2019 was EUR 196,078,447.45 (according to Finnish Generally Accepted Accounting Standards).

The Board of Directors proposes that a dividend of EUR 0.80 per share be paid based on the statement of financial position to be adopted for the financial year which ended December 31, 2019, and that the remaining part of the profit be retained and carried further in the Company's unrestricted equity.

The dividend will be paid to shareholders who on the dividend record date June 18, 2020 are registered in the Company's shareholders' register held by Euroclear Finland Ltd. The dividend will be paid on June 25, 2020. All the shares in the Company are entitled to a dividend except for treasury shares held by the Company on the dividend record date.

In Espoo on April 23, 2020

Valmet's Board of Directors

Consolidated statement of income

EUR million	Q1/2020	Q1/2019
Net sales	**821**	686
Cost of goods sold	**-617**	-511
Gross profit	**203**	175
Selling, general and administrative expenses	**-150**	-131
Other operating income and expenses, net	**-12**	-1
Share in profits and losses of associated companies, operative investments	**-**	-1
Operating profit	**42**	43
Financial income and expenses, net	**-1**	-2
Share in profits and losses of associated companies, financial investments	**-2**	-
Profit before taxes	**40**	41
Income taxes	**-10**	-10
Profit for the period	**30**	31
Attributable to:		
Owners of the parent	**30**	31
Non-controlling interests	**-**	-
Profit for the period	**30**	31
Earnings per share attributable to owners of the parent:		
Earnings per share, EUR	**0.20**	0.21
Diluted earnings per share, EUR	**0.20**	0.21

Consolidated statement of comprehensive income

EUR million	Q1/2020	Q1/2019
Profit for the period	30	31
Items that may be reclassified to profit or loss:		
Cash flow hedges	-9	4
Currency translation on subsidiary net investments	-17	5
Income tax relating to items that may be reclassified	2	-1
Total items that may be reclassified to profit or loss	-24	8
Items that will not be reclassified to profit or loss:		
Remeasurement of defined benefit plans	-49	-10
Income tax relating to items that will not be reclassified	13	2
Total items that will not be reclassified to profit or loss	-36	-7
Other comprehensive income for the period	-61	-
Total comprehensive income for the period	-31	32
Attributable to:		
Owners of the parent	-31	31
Non-controlling interests	-	-
Total comprehensive income for the period	-31	32

Consolidated statement of financial position

Assets

EUR million	As at March 31, 2020	As at March 31, 2019	As at December 31, 2019
Non-current assets			
Intangible assets			
Goodwill	**687**	618	687
Other intangible assets	**251**	190	253
Total intangible assets	**939**	808	941
Property, plant and equipment			
Land and water areas	**24**	24	25
Buildings and structures	**118**	116	115
Machinery and equipment	**168**	168	174
Leased assets	**64**	54	65
Assets under construction	**45**	45	51
Total property, plant and equipment	**420**	408	429
Other non-current assets			
Investments in associated companies	**11**	14	13
Non-current financial assets	**15**	6	8
Deferred tax assets	**89**	74	73
Non-current income tax receivables	**30**	29	30
Other non-current assets	**14**	14	17
Total other non-current assets	**159**	137	141
Total non-current assets	**1,518**	1,353	1,511
Current assets			
Inventories			
Materials and supplies	**85**	86	84
Work in progress	**358**	306	328
Finished products	**102**	76	101
Total inventories	**546**	468	514
Receivables and other current assets			
Trade receivables	**525**	463	656
Amounts due from customers under revenue contracts	**255**	187	262
Other current financial assets	**84**	72	59
Income tax receivables	**27**	21	27
Other receivables	**101**	89	108
Cash and cash equivalents	**417**	486	316
Total receivables and other current assets	**1,409**	1,318	1,428
Total current assets	**1,955**	1,786	1,942
Total assets	**3,473**	3,139	3,452

Consolidated statement of financial position

Equity and liabilities

EUR million	As at March 31, 2020	As at March 31, 2019	As at December 31, 2019
Equity			
Share capital	**100**	100	100
Reserve for invested unrestricted equity	**423**	421	421
Cumulative translation adjustments	**-34**	-14	-16
Hedge and other reserves	**-6**	-2	1
Retained earnings	**520**	367	534
Equity attributable to owners of the parent	**1,004**	871	1,040
Non-controlling interests	**6**	5	6
Total equity	**1,010**	877	1,046
Liabilities			
Non-current liabilities			
Non-current debt	**138**	169	159
Non-current lease liabilities	**39**	32	39
Post-employment benefits	**237**	183	190
Provisions	**36**	29	31
Other non-current liabilities	**19**	6	8
Deferred tax liabilities	**63**	50	66
Total non-current liabilities	**531**	469	492
Current liabilities			
Current portion of non-current debt	**18**	48	48
Current debt	**30**	90	-
Current lease liabilities	**22**	20	22
Trade payables	**317**	265	354
Provisions	**131**	113	142
Amounts due to customers under revenue contracts	**1,013**	768	913
Other current financial liabilities	**35**	34	14
Income tax liabilities	**53**	48	66
Other current liabilities	**313**	408	356
Total current liabilities	**1,933**	1,793	1,915
Total liabilities	**2,464**	2,263	2,407
Total equity and liabilities	**3,473**	3,139	3,452

Consolidated statement of cash flows

EUR million	Q1/2020	Q1/2019
Cash flows from operating activities		
Profit for the period	**30**	31
Adjustments		
Depreciation and amortization	**27**	23
Financial income and expenses	**1**	2
Income taxes	**10**	10
Other non-cash items	**-10**	11
Change in net working capital	**150**	-29
Net interests and dividends received	**-2**	-2
Income taxes paid	**-32**	-15
Net cash provided by (+) / used in (-) operating activities	**173**	30
Cash flows from investing activities		
Capital expenditure on fixed assets	**-17**	-18
Proceeds from sale of fixed assets	**-**	1
Business combinations, net of cash acquired and loans repaid	**-**	-
Net cash provided by (+) / used in (-) investing activities	**-17**	-18
Cash flows from financing activities		
Redemption of own shares	**-6**	-4
Dividends paid	**-**	-
Proceeds from non-current debt	**50**	45
Repayments of non-current debt	**-101**	-29
Repayments of lease liabilities	**-6**	-5
Change in current debt	**30**	90
Financial investments	**-19**	-3
Net cash provided by (+) / used in (-) financing activities	**-53**	94
Net increase (+) / decrease (-) in cash and cash equivalents	**104**	106
Effect of changes in exchange rates on cash and cash equivalents	**-2**	5
Cash and cash equivalents at beginning of period	**316**	376
Cash and cash equivalents at end of the period	**417**	486

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, 2020	**100**	**421**	**-16**	**1**	**534**	**1,040**	**6**	**1,046**
Profit for the period	-	-	-	-	30	**30**	-	**30**
Other comprehensive income for the period	-	-	-17	-7	-36	**-61**	-	**-61**
Total comprehensive income for the period	-	-	-17	-7	-7	**-31**	-	**-31**
Transactions with owners in their capacity as owners								
Purchase of treasury shares	-	-	-	-	-6	**-6**	-	**-6**
Share-based payments, net of tax	-	2	-	-	-1	**2**	-	**2**
Balance at March 31, 2020	**100**	**423**	**-34**	**-6**	**520**	**1,004**	**6**	**1,010**
Balance at January 1, 2019	100	416	-18	-5	451	944	5	949
Change in accounting principles[1]	-	-	-	-	-4	-4	-	-4
Restated balance at January 1, 2019	100	416	-18	-5	447	940	5	945
Profit for the period	-	-	-	-	31	31	-	31
Other comprehensive income for the period	-	-	4	3	-7	-	-	-
Total comprehensive income for the period	-	-	4	3	24	31	-	32
Transactions with owners in their capacity as owners								
Dividends	-	-	-	-	-97	-97	-	-97
Purchase of treasury shares	-	-	-	-	-4	-4	-	-4
Share-based payments, net of tax	-	5	-	-	-3	2	-	2
Balance at March 31, 2019	100	421	-14	-2	367	871	5	877

[1] *Net impact arising from the adoption of IFRS 16, EUR -3 million, and IFRIC 23, EUR -1 million, as of January 1, 2019.*

Basis of preparation

General information

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

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

These condensed consolidated interim financial statements were approved for issue on April 23, 2020.

Basis of presentation

These condensed consolidated interim financial statements for the three months ended March 31, 2020 have been prepared in accordance with IAS 34 – Interim financial reporting and in conformity with IFRS as adopted by the European Union. The financial information presented in these condensed consolidated interim financial statements has not been audited. These condensed consolidated interim financial statements should be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2019, which have been prepared in accordance with IFRS.

Valmet Group has applied new standards and interpretations published by IASB that are effective for the first time for financial reporting periods commencing on January 1, 2020. These standards and interpretations did not have a material impact on the results or financial position of the Group, or the presentation of these condensed consolidated interim financial statements.

Except for the above, the accounting policies applied in the preparation of these condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2019.

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

Key exchange rates

		Average rates		Period-end rates	
		Q1/2020	Q1/2019	**Q1/2020**	Q1/2019
USD	(US dollar)	**1.1055**	1.1397	**1.0956**	1.1235
SEK	(Swedish krona)	**10.7147**	10.3776	**11.0613**	10.3980
CNY	(Chinese yuan)	**7.7329**	7.6867	**7.7784**	7.5397

Reporting segment and geographic information

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

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

EUR million	**Q1/2020**	Q1/2019
Net sales	**821**	686
Comparable EBITA	**52**	47
% of net sales	**6.3%**	6.9%
Operating profit	**42**	43
% of net sales	**5.1%**	6.2%
Amortization	**-9**	-6
Depreciation, property, plant and equipment (excl. leased assets)	**-12**	-12
Depreciation, leased assets	**-6**	-5
Gross capital expenditure (excl. business combinations and leased assets)	**-17**	-18
Additions to leased assets	**-9**	-4
Business combinations, net of cash acquired and loans repaid	**-**	-
Capital employed, end of period	**1,256**	1,237
Orders received	**1,187**	835
Order backlog, end of period	**3,557**	3,001

Reconciliation between Comparable EBITA, EBITA and Operating profit

EUR million	Q1/2020	Q1/2019
Comparable EBITA	**52**	47
Items affecting comparability in cost of sales		
Expensing of fair value adjustments recognized in business combinations	**-1**	-
Items affecting comparability in selling, general and administrative expenses		
Expenses related to acquisitions	**-**	-1
Items affecting comparability in other operating income and expenses		
Expenses related to capacity adjustments	**-**	-3
Other items affecting comparability[1]	**-**	5
EBITA	**51**	49
Amortization included in selling, general and administrative expenses		
Intangibles recognized in business combinations	**-5**	-4
Other intangibles	**-3**	-3
Operating profit	**42**	43

[1] *Includes income and expenses arising from settlements of lawsuits in Q1/2019.*

Entity-wide information

Valmet has operations globally in over 35 countries. Measured by net sales, the top three countries in Q1/2020 were the USA, Brazil and China, which together accounted for 34 percent of total net sales. In Q1/2019, the top three countries were the USA, China and Finland, which together accounted for 43 percent of total net sales. Net sales for Finland (the country of domicile) amounted EUR 64 million in Q1/2020 (EUR 56 million).

Net sales by destination:

Q1/2020: EUR 821 million

- North America, EUR 167 million
- South America, EUR 134 million
- EMEA, EUR 334 million
- China, EUR 78 million
- Asia-Pacific, EUR 107 million

Q1/2019: EUR 686 million

- North America, EUR 169 million
- South America, EUR 52 million
- EMEA, EUR 298 million
- China, EUR 102 million
- Asia-Pacific, EUR 66 million

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

EUR million	North America	South America	EMEA	China	Asia-Pacific	Total
Q1/2020	**1**	**-**	**12**	**2**	**-**	**17**
Q1/2019	1	1	12	3	1	18

Revenue

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

Net sales by business lines:

EUR million	Q1/2020	Q1/2019
Services	**295**	276
Automation	**69**	64
Pulp and Energy	**240**	160
Paper	**217**	186
Total	**821**	686

Timing of revenue recognition:

EUR million	Q1/2020	Q1/2019
Performance obligations satisfied at a point in time	**344**	298
Performance obligations satisfied over time	**477**	388
Total	**821**	686

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

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

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

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

Amounts due from customers under revenue contracts:

EUR million	Q1/2020	Q1/2019	2019
Balance at the beginning of period	263	169	169
Translation differences	-5	-	2
Acquired in business combinations	-	-	7
Revenue recognized in the period	170	142	875
Transfers to trade receivables	-172	-124	-790
Balance at the end of period	255	187	263

Amounts due to customers under revenue contracts:

EUR million	Q1/2020	Q1/2019	2019
Balance at the beginning of period	913	771	771
Translation differences	-24	7	-5
Acquired in business combinations	-	-	13
Revenue recognized in the period	-395	-312	-1,541
Consideration invoiced and/or received	519	301	1,675
Balance at the end of period	1,013	768	913

EUR million	As at March 31, 2020	As at March 31, 2019	As at December 31, 2019
Amounts due to customers under revenue contracts for which revenue is recognized			
Point in time	263	244	262
Over time	750	524	651
Carrying value at the end of period	1,013	768	913

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

As at March 31, 2020, Valmet had no costs to obtain or fulfill contracts capitalized under IFRS 15.

The aggregate amount of transaction price allocated to unsatisfied or partially satisfied performance obligations as at March 31, 2020 was EUR 3,557 million.

Net working capital

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

EUR million	As at March 31, 2020	As at March 31, 2019	As at December 31, 2019	Q1/2020 impact
Assets included in net working capital				
Non-current trade receivables	**1**	-	-	**-1**
Other non-current assets	**14**	14	17	**3**
Inventories	**546**	468	514	**-32**
Trade receivables	**525**	463	656	**131**
Amounts due from customers under revenue contracts	**255**	187	262	**7**
Derivative financial instruments (assets)	**44**	27	21	**-23**
Other receivables	**101**	88	108	**7**
Liabilities included in net working capital				
Post-employment benefits	**-237**	-183	-190	**48**
Provisions	**-167**	-142	-173	**-6**
Other non-current non-interest-bearing liabilities	**-3**	-3	-3	**-**
Trade payables	**-317**	-265	-354	**-37**
Amounts due to customers under revenue contracts	**-1,013**	-768	-913	**100**
Derivative financial instruments (liabilities)	**-50**	-37	-19	**32**
Other current liabilities	**-313**	-408	-355	**-42**
Total net working capital	**-614**	-557	-426	**188**
Effect of foreign exchange rates				**15**
Remeasurement of defined benefit plans				**-51**
Change in allowance for doubtful receivables and inventory obsolescence provision				**-2**
Change in net working capital in the Consolidated statement of cash flows				**150**

Intangible assets and property, plant and equipment

Intangible assets

EUR million	Q1/2020	Q1/2019[1]	2019[1]
Carrying value at the beginning of period	**941**	818	818
Translation differences	**1**	1	1
Capital expenditure	**6**	6	23
Acquired in business combinations	**-**	-	144
Amortization	**-9**	-6	-34
Impairment losses	**-**	-	-
Other changes	**-1**	-11	-11
Carrying value at the end of period	**939**	808	941

[1] *Other changes include reclassification of land areas in the amount of EUR 8 million to leased assets.*

Property, plant and equipment (excl. leased assets)

EUR million	Q1/2020	Q1/2019	2019
Carrying value at the beginning of period	**365**	348	348
Translation differences	**-8**	4	1
Capital expenditure	**10**	12	57
Acquired in business combinations	**-**	-	10
Depreciation	**-12**	-12	-48
Impairment losses	**-**	-	-2
Other changes	**-**	2	-1
Carrying value at the end of period	**355**	354	365

Leases

EUR million	Q1/2020	Q1/2019	2019
Carrying value at the beginning of period / at transition[1]	**65**	55	55
Translation differences	**-1**	1	-
Additions	**9**	4	27
Acquired in business combinations	**-**	-	7
Depreciation	**-6**	-5	-23
Other changes	**-2**	-	-1
Carrying value at the end of period	**64**	54	65

[1] *Includes reclassification of leased land areas in the amount of EUR 8 million from intangible assets at transition in 2019.*

EUR million	As at March 31, 2020
Not later than 1 year	**23**
Later than 1 year and not later than 2 years	**18**
Later than 2 years and not later than 3 years	**11**
Later than 3 years and not later than 4 years	**6**
Later than 4 years and not later than 5 years	**3**
Later than 5 years	**8**
Total future lease payments	**69**

EUR million	Q1/2020	Q1/2019
Expenses related to short-term leases	**-1**	-1
Expenses related to leases of low-value assets	**-1**	-1
Expenses related to variable lease payments not included in lease liabilities	**-**	-
Interest expenses on lease liabilities	**-1**	-
Total	**-3**	-3

Financial instruments

Derivative financial instruments

As at March 31, 2020	Notional amount	Fair value, assets	Fair value, liabilities	Fair value, net
Forward exchange contracts[1]	**2,676**	**44**	**-46**	**-2**
Interest rate swaps[1]	**45**	**-**	**-2**	**-2**
Electricity forward contracts[2]	**147**	**-**	**-2**	**-2**
Nickel forward contracts[3]	**30**	**-**	**-**	**-**

As at March 31, 2019	Notional amount	Fair value, assets	Fair value, liabilities	Fair value, net
Forward exchange contracts[1]	2,491	26	-35	-9
Interest rate swaps[1]	30	-	-2	-2
Electricity forward contracts[2]	149	1	-	1
Nickel forward contracts[3]	30	-	-	-

[1] *Notional amount and fair values in EUR million.*

[2] *Notional amount in GWh and fair values in EUR million.*

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

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

Interest-bearing and non-interest-bearing financial instruments

EUR million	As at March 31, 2020	As at March 31, 2019	As at December 31, 2019
Non-current financial assets			
Interest-bearing	**-**	-	-
Non-interest-bearing	**15**	6	8
Total	**15**	6	8

EUR million	As at March 31, 2020	As at March 31, 2019	As at December 31, 2019
Other current financial assets			
Interest-bearing	**49**	47	42
Non-interest-bearing	**34**	25	18
Total	**84**	72	59

Valmet's interest-bearing liabilities consist of debt and lease liabilities.

Provisions

EUR million	Q1/2020	Q1/2019	2019
Balance at the beginning of period	**173**	149	149
Translation differences	**-3**	1	-
Additions	**22**	23	100
Acquired in business combinations	**-**	-	12
Amounts used	**-17**	-21	-54
Unused amounts reversed	**-7**	-10	-34
Balance at the end of period	**167**	142	173
Non-current	**36**	29	31
Current	**131**	113	142

Contingencies and commitments

EUR million	As at March 31, 2020	As at March 31, 2019	As at December 31, 2019
Guarantees on behalf of Valmet Group	**1,017**	864	998

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

Events after the reporting period

On April 21, 2020, Valmet announced that due to financial and production related reasons, especially because of the decreasing workload and in order to prepare for the potential widening of the business impacts from the COVID-19 pandemic, the company started co-determination negotiations on April 21, 2020 for temporary lay-offs. The employees under negotiations are the Services business line employees in Finland and EMEA area organization in Finland. The planned lay-offs are temporary and they last up to 90 days at maximum. At the time of the announcement, it was estimated that the need for lay-offs concerns around 200 employees. The targeting of the lay-offs and the number of impacted employees will be finalized during the co-determination negotiations.

Key ratios

	Q1/2020	Q1/2019
Earnings per share, EUR	**0.20**	0.21
Diluted earnings per share, EUR	**0.20**	0.21
Equity per share at end of period, EUR	**6.72**	5.82
Return on equity (ROE), % (annualized)	**12%**	14%
Return on capital employed (ROCE) before taxes, % (annualized)	**13%**	15%
Equity to assets ratio at end of period, %	**41%**	37%
Gearing at end of period, %	**-22%**	-20%
Cash flow provided by operating activities, EUR million	**173**	30
Cash flow after investments, EUR million	**156**	13
Gross capital expenditure (excl. business combinations and leased assets), EUR million	**-17**	-18
Additions to leased assets, EUR million	**-9**	-4
Business combinations, net of cash acquired and loans repaid, EUR million	**-**	-
Depreciation and amortization, EUR million	**-27**	-23
Amortization	**-9**	-6
Depreciation, property, plant and equipment (excl. leased assets)	**-12**	-12
Depreciation, leased assets	**-6**	-5
Number of outstanding shares at end of period	**149,499,026**	149,620,592
Average number of outstanding shares	**149,510,001**	149,558,661
Average number of diluted shares	**149,510,001**	149,558,661
Interest-bearing liabilities at end of period, EUR million	**246**	360
Net interest-bearing liabilities at end of period, EUR million	**-220**	-174

Formulas for calculation of indicators

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

EBITA:
Operating profit + amortization

Comparable EBITA[1]:
Operating profit + amortization +/- items affecting comparability
[1]*Measure of performance also calculated on a rolling 12-month basis.*

Earnings per share:

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

Earnings per share, diluted:

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

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

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

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

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

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

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

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

Equity to assets ratio, %:

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

Gearing, %:

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

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

Quarterly information

EUR million	Q1/2020	Q4/2019	Q3/2019	Q2/2019	Q1/2019
Net sales	**821**	1,103	857	901	686
Comparable EBITA	**52**	118	81	69	47
% of net sales	**6.3%**	10.7%	9.5%	7.7%	6.9%
Operating profit	**42**	110	73	56	43
% of net sales	**5.1%**	9.9%	8.5%	6.2%	6.2%
Profit before taxes	**40**	105	70	52	41
% of net sales	**4.9%**	9.5%	8.2%	5.8%	6.0%
Profit for the period	**30**	81	51	39	31
% of net sales	**3.6%**	7.3%	5.9%	4.3%	4.6%
Earnings per share, EUR	**0.20**	0.54	0.34	0.26	0.21
Earnings per share, diluted, EUR	**0.20**	0.54	0.34	0.26	0.21
Amortization	**-9**	-9	-10	-8	-6
Depreciation, property, plant and equipment (excl. leased assets)	**-12**	-12	-12	-12	-12
Depreciation, leased assets	**-6**	-6	-6	-6	-5
Research and development expenses, net	**-17**	-21	-15	-18	-17
% of net sales	**-2.1%**	-1.9%	-1.7%	-2.0%	-2.5%
Items affecting comparability:					
in cost of goods sold	**-1**	-6	-1	-4	-
in selling, general and administrative expenses	**-**	1	-	-1	-1
in other operating income and expenses, net	**-**	7	3	-	3
Total items affecting comparability	**-1**	1	1	-5	2
Gross capital expenditure (excl. business combinations and leased assets)	**-17**	-22	-19	-19	-18
Additions to leased assets	**-9**	-9	-10	-4	-4
Business combinations, net of cash acquired and loans repaid	**-**	-	-9	-154	-
Capital employed, end of period	**1,256**	1,314	1,239	1,195	1,237
Orders received	**1,187**	1,009	1,058	1,083	835
Order backlog, end of period	**3,557**	3,333	3,425	3,216	3,001

Valmet's financial reporting in 2020

July 23, 2020 - Half Year Financial Review for January-June 2020
October 27, 2020 - Interim Review for January-September 2020

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