Interim Review

January 1 – March 31, 2021

Valmet's Interim Review
January 1 – March 31, 2021

Orders received increased to EUR 1.3 billion and Comparable EBITA to EUR 80 million in the first quarter

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

January–March 2021: Orders received and Comparable EBITA increased

- Orders received increased 11 percent to EUR 1,312 million (EUR 1,187 million).
  - Orders received increased in the Pulp and Energy, Paper, and Automation business lines, and remained at the previous year's level in the Services business line.
  - Orders received increased in EMEA (Europe, Middle East and Africa), North America and China, and decreased in South America and Asia-Pacific.
- Net sales remained at the previous year's level and amounted to EUR 858 million (EUR 821 million).
  - Net sales increased in the Paper business line, remained at the previous year's level in the Services, and Pulp and Energy business lines, and decreased in the Automation business line.
- Comparable earnings before interest, taxes and amortization (Comparable EBITA) were EUR 80 million (EUR 52 million), and the corresponding Comparable EBITA margin was 9.4 percent (6.3%).
  - Comparable EBITA increased due to higher net sales and lower operating expenses.
- Earnings per share were EUR 0.38 (EUR 0.20).
- Items affecting comparability amounted to EUR 8 million (EUR -1 million).
- Cash flow provided by operating activities was EUR 148 million (EUR 173 million).

Guidance for 2021

On April 16, 2021, Valmet revised upwards its net sales and Comparable EBITA guidance for 2021.

Revised guidance (on April 16, 2021):

Valmet estimates that net sales in 2021 will increase in comparison with 2020 (EUR 3,740 million) and Comparable EBITA in 2021 will increase in comparison with 2020 (EUR 365 million).

Previous guidance (on February 4, 2021):

Valmet estimates that net sales in 2021 will remain at the previous year's level in comparison with 2020 (EUR 3,740 million) and Comparable EBITA in 2021 will remain at the previous year's level in comparison with 2020 (EUR 365 million).

Short-term market outlook

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

President and CEO Pasi Laine: Orders received increased to a new record

"Valmet's orders received increased to EUR 1,312 million in the first quarter of 2021. This is a record-high quarterly order intake for us. Orders received increased in the Pulp and Energy, Paper, and Automation business lines and remained at the previous year's level in the Services business line. Our order backlog increased to a record high of EUR 3,709 million, which is EUR 452 million higher than at the end of 2020. Net sales remained at the previous year's level and Comparable EBITA increased.

One of the highlights of the first quarter was the introduction of Valmet's climate program – Forward to a carbon neutral future. The program includes ambitious CO_2 emission reduction targets and concrete actions for the whole value chain, including Valmet's own operations, the supply chain, and the use of Valmet's technologies by its customers. The program is aligned with the Paris Climate Agreement's 1.5-degree pathway and the United Nations Sustainable Development Goals."

Key figures[1]

EUR million	Q1/2021	Q1/2020	Change	2020
Orders received	**1,312**	1,187	11%	3,653
Order backlog[2]	**3,709**	3,557	4%	3,257
Net sales	**858**	821	5%	3,740
Comparable earnings before interest, taxes and amortization (Comparable EBITA)	**80**	52	55%	365
% of net sales	**9.4%**	6.3%		9.8%
Earnings before interest, taxes and amortization (EBITA)	**89**	51	75%	355
% of net sales	**10.3%**	6.2%		9.5%
Operating profit (EBIT)	**76**	42	81%	319
% of net sales	**8.9%**	5.1%		8.5%
Profit before taxes	**75**	40	88%	307
Profit for the period	**57**	30	93%	231
Earnings per share, EUR	**0.38**	0.20	92%	1.54
Earnings per share, diluted, EUR	**0.38**	0.20	92%	1.54
Equity per share, EUR[2]	**7.18**	6.72	7%	7.60
Cash flow provided by operating activities	**148**	173	-14%	532
Cash flow after investments	**125**	156	-20%	-60
Return on equity (ROE) (annualized)	**21%**	12%		21%
Return on capital employed (ROCE) before taxes (annualized)	**20%**	13%		22%
Equity to assets ratio[2]	**37%**	41%		39%
Gearing[2]	**3%**	-22%		13%

[1] The calculation of key figures is presented on page 40.
[2] At end of period.

Orders received, EUR million	Q1/2021	Q1/2020	Change	2020
Services	**385**	398	-3%	1,356
Automation	**103**	92	12%	334
Pulp and Energy	**461**	376	23%	934
Paper	**363**	321	13%	1,029
Total	**1,312**	1,187	11%	3,653

Order backlog, EUR million	As at Mar 31, 2021	As at Mar 31, 2020	Change	As at Dec 31, 2020
Total	**3,709**	3,557	4%	3,257

Net sales, EUR million	Q1/2021	Q1/2020	Change	2020
Services	**290**	295	-2%	1,327
Automation	**49**	69	-28%	335
Pulp and Energy	**230**	240	-4%	1,003
Paper	**289**	217	33%	1,076
Total	**858**	821	5%	3,740

News conference and webcast for analysts, investors and media

Valmet will arrange a news conference in English as a live webcast at https://valmet.videosync.fi/2021-q1/ on Thursday, April 22, 2021 at 2:00 p.m. Finnish time (EEST). President and CEO Pasi Laine and CFO Kari Saarinen will be presenting the results.

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

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

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

The participants will be asked to provide the following conference PIN: 47033363#. All questions should be presented in English.

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

Due to COVID-19 pandemic, the news conference cannot be attended in person.

Valmet's Interim Review January 1 – March 31, 2021

Orders received increased 11%

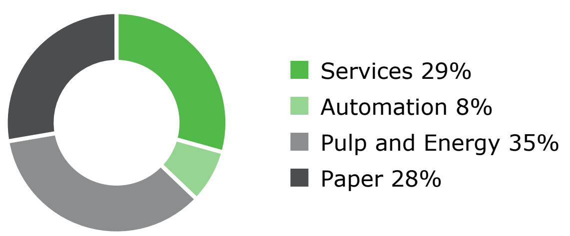
Orders received, EUR million	Q1/2021	Q1/2020	Change	2020
Services	**385**	398	-3%	1,356
Automation	**103**	92	12%	334
Pulp and Energy	**461**	376	23%	934
Paper	**363**	321	13%	1,029
Total	**1,312**	1,187	11%	3,653

Orders received, comparable foreign exchange rates, EUR million[1]	Q1/2021	Q1/2020	Change	2020
Services	**398**	398	0%	1,356
Automation	**105**	92	14%	334
Pulp and Energy	**462**	376	23%	934
Paper	**366**	321	14%	1,029
Total	**1,330**	1,187	12%	3,653

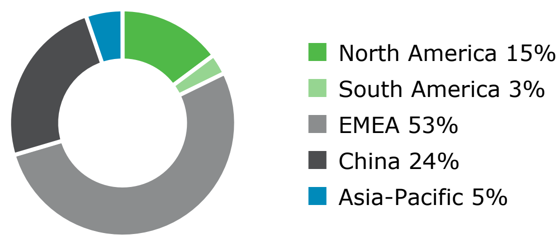
[1] *Indicative only. January–March 2021 orders received in euro calculated by applying January–March 2020 average exchange rates to the functional currency orders received values reported by entities.*

Orders received, EUR million	Q1/2021	Q1/2020	Change	2020
North America	**194**	143	36%	621
South America	**38**	263	-85%	378
EMEA	**691**	391	77%	1,420
China	**319**	249	28%	885
Asia-Pacific	**69**	142	-52%	349
Total	**1,312**	1,187	11%	3,653

Orders received by business line, Q1/2021



Orders received by area, Q1/2021



Orders received increased 11 percent to EUR 1,312 million (EUR 1,187 million) in January–March. The Services and Automation business lines together accounted for 37 percent (41%) of Valmet's orders received. Orders received increased in the Pulp and Energy, Paper, and Automation business lines, and remained at the previous year's level in the Services business line.

Orders received increased in EMEA, North America and China, and decreased in South America and Asia-Pacific. Measured by orders received, the top three countries were Finland, China and the USA, which together accounted for 69 percent of total orders received. The emerging markets accounted for 41 percent (55%) of orders received.

Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2020 decreased orders received by approximately EUR 18 million in January–March.

During January–March, Valmet received among others an order for all main process islands and automation for a bioproduct mill in Finland, valued at about EUR 350–400 million, an order for coated board and fine paper making lines to China, typically valued at around EUR 190–220 million, an order for main equipment for a textile recycling plant in Sweden, valued at around EUR 25 million, a tissue line order from Turkey and an order for an extensive tissue line rebuild in Finland.

Order backlog EUR 452 million higher than at the end of 2020

Order backlog, EUR million	**As at March 31, 2021**	As at March 31, 2020	Change	As at December 31, 2020
Total	**3,709**	3,557	4%	3,257

Order backlog at the end of the reporting period amounted to EUR 3,709 million, which is 14 percent higher than at the end of December 2020 and at the same level as at the end of March 2020. Approximately 30 percent of the order backlog relates to stable business (Services and Automation business lines, approximately 30% at the end of March 2020). Approximately 65 percent of the order backlog is currently expected to be realized as net sales during 2021 (at the end of March 2020, approximately 60% was expected to be realized as net sales during 2020).

Net sales amounted to EUR 858 million

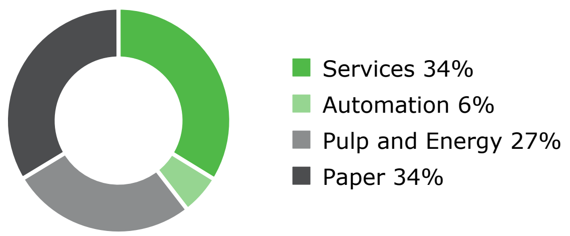
Net sales, EUR million	Q1/2021	Q1/2020	Change	2020
Services	**290**	295	-2%	1,327
Automation	**49**	69	-28%	335
Pulp and Energy	**230**	240	-4%	1,003
Paper	**289**	217	33%	1,076
Total	**858**	821	5%	3,740

Net sales, comparable foreign exchange rates, EUR million[1]	Q1/2021	Q1/2020	Change	2020
Services	**299**	295	1%	1,327
Automation	**51**	69	-26%	335
Pulp and Energy	**236**	240	-2%	1,003
Paper	**295**	217	36%	1,076
Total	**881**	821	7%	3,740

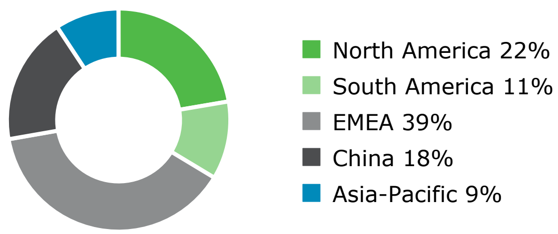
[1] *Indicative only. January–March 2021 net sales in euro calculated by applying January–March 2020 average exchange rates to the functional currency net sales values reported by entities.*

Net sales, EUR million	Q1/2021	Q1/2020	Change	2020
North America	**192**	167	15%	676
South America	**97**	134	-28%	595
EMEA	**331**	334	-1%	1,540
China	**158**	78	>100%	489
Asia-Pacific	**80**	107	-26%	440
Total	**858**	821	5%	3,740

Net sales by business line, Q1/2021



Net sales by area, Q1/2021



Net sales remained at the previous year's level and amounted to EUR 858 million (EUR 821 million) in January–March. The Services and Automation business lines together accounted for 40 percent (44%) of Valmet's net sales. Net sales increased in the Paper business line, remained at the previous year's level in the Services, and Pulp and Energy business lines, and decreased in the Automation business line.

Net sales increased in China and North America, remained at the previous year's level in EMEA, and decreased in South America and Asia-Pacific. Measured by net sales, the top three countries were China, the USA and Brazil, which together accounted for 44 percent of total net sales. Emerging markets accounted for 45 percent (45%) of net sales.

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

Comparable EBITA and operating profit

In January–March, comparable earnings before interest, taxes and amortization (Comparable EBITA) were EUR 80 million, i.e. 9.4 percent of net sales (EUR 52 million and 6.3%). Comparable EBITA increased due to higher net sales and lower operating expenses.

Valmet's investment in Neles had a positive impact of EUR 4 million on EBITA.

Operating profit (EBIT) in January–March was EUR 76 million, i.e. 8.9 percent of net sales (EUR 42 million and 5.1%). Items affecting comparability amounted to EUR 8 million (EUR -1 million). Valmet's investment in Neles had no material impact on operating profit.

Net financial income and expenses

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

Profit before taxes and earnings per share

Profit before taxes for January–March was EUR 75 million (EUR 40 million). The profit attributable to owners of the parent in January–March was EUR 57 million (EUR 30 million), corresponding to earnings per share (EPS) of EUR 0.38 (EUR 0.20). Valmet's investment in Neles had no material impact on the financial result in the first quarter.

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

In January–March, the annualized return on capital employed (ROCE) before taxes was 20 percent (13%) and the annualized return on equity (ROE) was 21 percent (12%).

Business lines

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

Services business line	**Q1/2021**	Q1/2020	Change	2020
Orders received (EUR million)	**385**	398	-3%	1,356
Net sales (EUR million)	**290**	295	-2%	1,327
Personnel (end of period)	**5,959**	6,279	-5%	6,027

Despite the negative impact caused by COVID-19, orders received and net sales of the Services business line remained at the previous year's level in January–March. Services' orders received amounted to EUR 385 million (EUR 398 million) and accounted for 29 percent (34%) of Valmet's orders received. Orders received increased in China, remained at the previous year's level in North America and Asia-Pacific, and decreased in South America and EMEA. Orders received increased in Rolls, remained at the previous year's level in Performance Parts, and Board, Paper and Tissue Solutions, and decreased in Pulp and Energy Solutions, and Fabrics. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2020 decreased orders received by approximately EUR 13 million.

Net sales for the Services business line amounted to EUR 290 million (EUR 295 million) in January–March, corresponding to 34 percent (36%) of Valmet’s net sales. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2020 decreased net sales by approximately EUR 10 million.

Automation: Orders received increased and net sales decreased

Automation business line	Q1/2021	Q1/2020	Change	2020
Orders received (EUR million)	**103**	92	12%	334
Net sales (EUR million)	**49**	69	-28%	335
Personnel (end of period)	**1,922**	1,924	0%	1,917

In January–March, orders received by the Automation business line increased 12 percent to EUR 103 million (EUR 92 million). Automation accounted for 8 percent (8%) of Valmet's orders received. Orders received increased in EMEA and China, and decreased in South America, North America and Asia-Pacific. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2020 decreased orders received by approximately EUR 2 million.

Net sales for the Automation business line amounted to EUR 49 million (EUR 69 million) in January–March, corresponding to 6 percent (8%) 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 2020 decreased net sales by approximately EUR 2 million.

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

Pulp and Energy business line	Q1/2021	Q1/2020	Change	2020
Orders received (EUR million)	**461**	376	23%	934
Net sales (EUR million)	**230**	240	-4%	1,003
Personnel (end of period)	**1,825**	1,800	1%	1,814

In January–March, orders received by the Pulp and Energy business line increased 23 percent to EUR 461 million (EUR 376 million). Pulp and Energy accounted for 35 percent (32%) of Valmet's orders received. Orders received increased in North America, EMEA and China, and decreased in South America and Asia-Pacific. Orders received increased in Pulp and decreased in Energy. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2020 decreased orders received by approximately EUR 1 million.

Net sales for the Pulp and Energy business line amounted to EUR 230 million (EUR 240 million) in January–March, corresponding to 27 percent (29%) of Valmet’s net sales. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2020 decreased net sales by approximately EUR 5 million.

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

Paper: Orders received and net sales increased

Paper business line	Q1/2021	Q1/2020	Change	2020
Orders received (EUR million)	**363**	321	13%	1,029
Net sales (EUR million)	**289**	217	33%	1,076
Personnel (end of period)	**3,742**	3,019	24%	3,731

In January–March, orders received by the Paper business line increased 13 percent to EUR 363 million (EUR 321 million) and accounted for 28 percent (27%) of Valmet's orders received. Orders received increased in all areas except Asia-Pacific, where orders received decreased. Orders received increased in Stock Preparation and Recycled Fiber, as well as in Tissue and remained at the previous year's level in Board and Paper. Small and Medium size Machines (the acquired PMP Group) contributed EUR 10 million to orders received of the Paper business line. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2020 decreased orders received by approximately EUR 2 million.

Net sales for the Paper business line amounted to EUR 289 million (EUR 217 million) in January–March, corresponding to 34 percent (26%) of Valmet's net sales. Small and Medium size Machines (the acquired PMP Group) contributed EUR 21 million to net sales of the Paper business line. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2020 decreased net sales by approximately EUR 6 million.

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

Cash flow and financing

Cash flow provided by operating activities amounted to EUR 148 million (EUR 173 million) in January–March. Net working capital totaled EUR -797 million (EUR -614 million) at the end of the reporting period. Change in net working capital in the statement of cash flows was EUR 104 million (EUR 150 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 125 million (EUR 156 million) in January–March.

At the end of March, gearing was 3 percent (-22%) and equity to assets ratio was 37 percent (41%). Interest-bearing liabilities amounted to EUR 478 million (EUR 246 million), and net interest-bearing liabilities totaled EUR 30 million (EUR -220 million) at the end of the reporting period.

The average maturity of Valmet's non-current debt was 2.8 years, and average interest rate was 0.9 percent at the end of March. Lease liabilities have been excluded from calculation of these two key performance indicators.

Valmet's liquidity was strong at the end of the reporting period, with cash and cash equivalents amounting to EUR 385 million (EUR 417 million) and interest-bearing current financial assets totaling EUR 62 million (EUR 49 million). Valmet's liquidity was additionally secured by a term-loan agreement of EUR 400 million, of which EUR 179 million was outstanding at the end of the reporting period, a committed and unused revolving credit facility worth of EUR 200 million, which matures in 2024, and an uncommitted and unused commercial paper program worth of EUR 200 million.

Capital expenditure

Gross capital expenditure (excluding business combinations and leased assets) totaled EUR 24 million (EUR 17 million) in January–March, of which maintenance investments were EUR 11 million (EUR 6 million).

Acquisitions and disposals

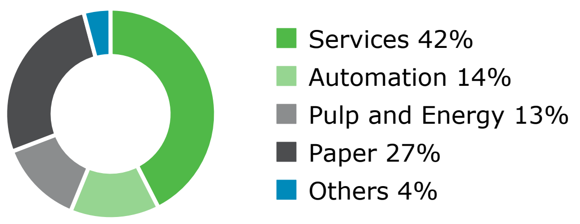
Valmet made no acquisitions or disposals during January–March 2021.

Number of personnel

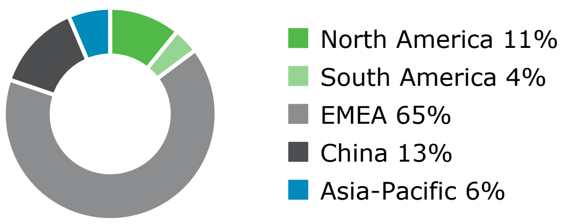
Personnel by business line	As at March 31, 2021	As at March 31, 2020	Change	As at December 31, 2020
Services	**5,959**	6,279	-5%	6,027
Automation	**1,922**	1,924	0%	1,917
Pulp and Energy	**1,825**	1,800	1%	1,814
Paper	**3,742**	3,019	24%	3,731
Other	**578**	546	6%	557
Total	**14,026**	13,568	3%	14,046

Personnel by area	As at March 31, 2021	As at March 31, 2020	Change	As at December 31, 2020
North America	**1,523**	1,652	-8%	1,542
South America	**545**	556	-2%	542
EMEA	**9,187**	8,648	6%	9,202
China	**1,878**	1,802	4%	1,872
Asia-Pacific	**893**	910	-2%	888
Total	**14,026**	13,568	3%	14,046

Personnel by business line as at March 31, 2021



Personnel by area as at March 31, 2021



During January–March, Valmet employed an average of 14,012 people (13,563). The number of personnel at the end of March was 14,026 (13,568). Personnel expenses totaled EUR 234 million (EUR 228 million) in January–March, of which wages, salaries and remuneration amounted to EUR 184 million (EUR 178 million).

Impacts of the COVID-19 pandemic on Valmet

The COVID-19 pandemic impacted Valmet's operations during January–March. Despite travel restrictions and lower capacity utilization in graphical paper mills, Services' orders received and net sales remained at the previous year's level. Many customers restricted access to their sites, which led to disturbances especially in field services and mill improvement projects. Also the Automation business line was negatively impacted by access restrictions to some customer sites.

The Pulp and Energy, and Paper business lines have managed challenges caused by COVID-19 well, and therefore the pandemic has not caused major impacts on the capital business. The organization has performed well under the new circumstances and found new ways to operate, which can be utilized to improve Valmet's and customers' processes also after the pandemic. For example, the increased use of Industrial Internet and remote connections resulted in lower travel expenses in January–March.

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

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

Changes in Valmet's Executive Team

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

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

Strategic goals and their implementation

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

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

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

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

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

Valmet's financial targets are the following:

Financial targets

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

Continued focus on improving profitability

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

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

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

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

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

Progress in sustainability

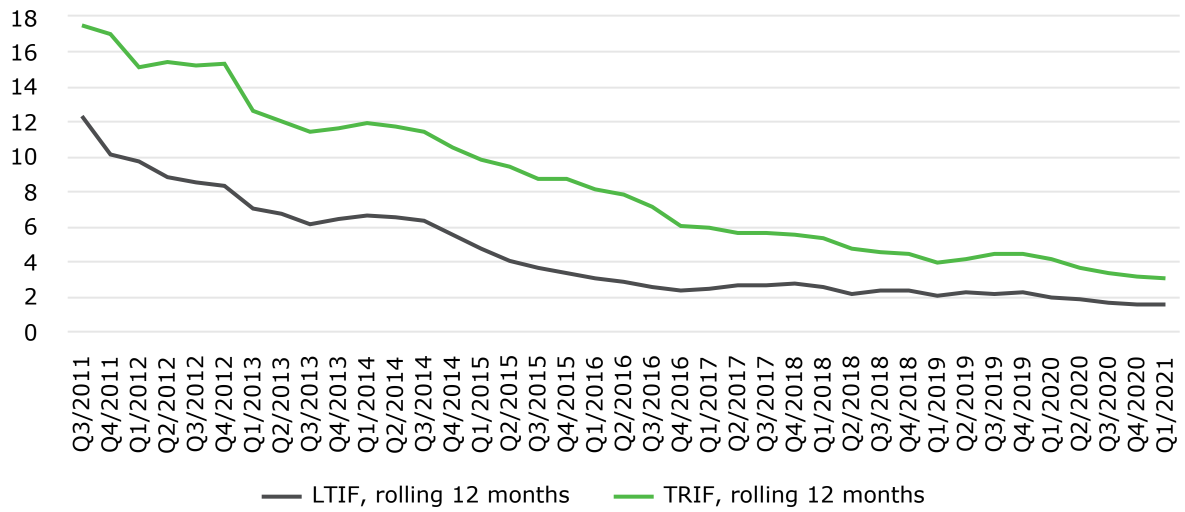
In March 2021, Valmet introduced its climate program – Forward to a carbon neutral future. The program includes ambitious CO_2 emission reduction targets and concrete actions for the whole value chain, including Valmet's own operations, the supply chain, and the use of Valmet's technologies by its customers. The program is aligned with the Paris Climate Agreement's 1.5-degree pathway and the United Nations Sustainable Development Goals. Valmet is also in process to send its climate targets to the Science Based Targets Initiative for validation.

In 2021, Valmet has also continued its strong track record of sustainability acknowledgments. In January, Valmet was awarded the Bronze Class Sustainability Award in SAM Sustainability Yearbook 2021.

As part of its Annual Report 2020, Valmet reported on the progress of its sustainability performance in 2020. Valmet also published a separate GRI Supplement and Disclosure of non-financial information as a part of the Financial Statements 2020. Valmet's sustainability reporting in 2020 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.

Valmet's lost time incident frequency rate (LTIF) for own employees was 1.5 at the end of March (1.9 at the end of March 2020). During the first quarter, Valmet continued preventive and protective measures as part of its global COVID-19 management activities. Valmet also continued with the contractor HSE day concept and held a virtual event in February together with contractor and customer representatives.

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

Shares and shareholders

Share capital, number of shares and shareholders

	As at March 31, 2021	As at March 31, 2020
Share capital, EUR	**100,000,000**	100,000,000
Number of shares	**149,864,619**	149,864,619
Treasury shares	**391,268**	365,593
Shares outstanding	**149,473,351**	149,499,026
Market capitalization, EUR million	**4,647**	2,678
Number of shareholders	**55,349**	47,928

Shareholder structure as at March 31, 2021

Nominee registered and non-Finnish holders 54.2%

Solidium Oy 11.1%

Finnish private investors 13.7%

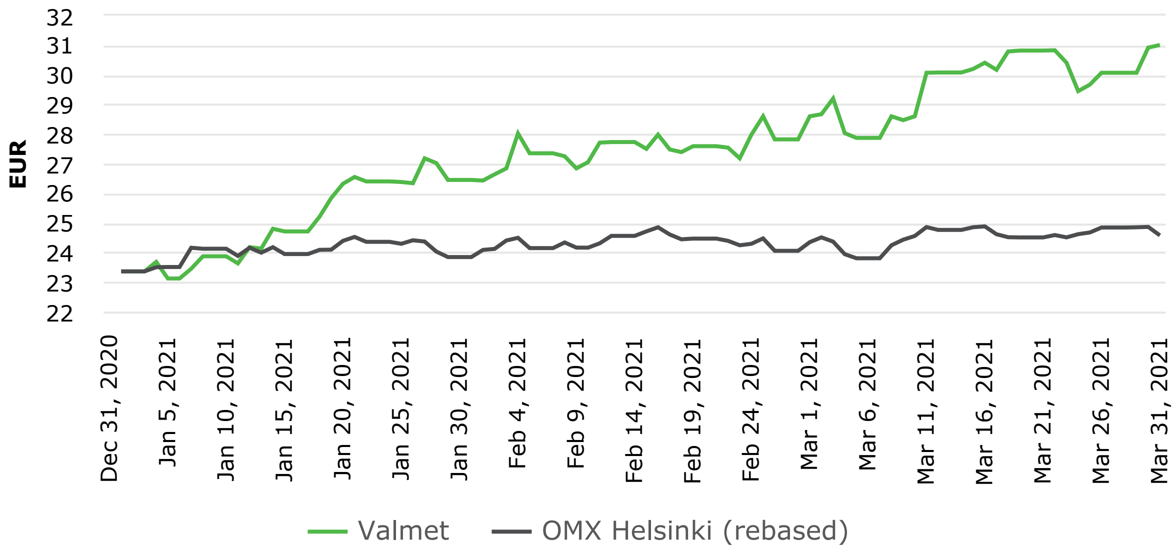
Finnish institutions, companies and foundations 21.0%

Trading of shares

Trading of Valmet shares on Nasdaq Helsinki	**January 1 - March 31, 2021**	January 1 - March 31, 2020
Number of shares traded	**29,400,845**	52,539,922
Total value, EUR million	**805**	1,037
High, EUR	**31.52**	25.20
Low, EUR	**23.02**	13.33
Volume-weighted average price, EUR	**27.38**	19.73
Closing price on the final day of trading, EUR	**31.01**	17.87

The closing price of Valmet’s share on the final day of trading for the reporting period, March 31, 2021, was EUR 31.01, i.e. 33 percent higher than the closing price on the last day of trading in 2020 (EUR 23.36 on December 30, 2020).

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



Flagging notifications

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

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

Board authorizations regarding share repurchase and share issue

Valmet Oyj's Annual General Meeting on March 23, 2021, authorized Valmet's Board of Directors to decide on the repurchase of the Company's own shares in one or several tranches. The maximum number of shares to be repurchased shall be 5,000,000 shares, which corresponds to approximately 3.3 percent of all the shares in the Company. The Company's own shares may be repurchased otherwise than in proportion to the shareholdings of the shareholders (directed repurchase). The Company's own shares may be repurchased using the unrestricted equity of the Company at a price formed on a regulated market on the stock exchange main list maintained by Nasdaq Helsinki Ltd on the date of the repurchase.

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

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

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

Based on this authorization, a maximum number of 15,000,000 shares may be issued, which corresponds to approximately 10.0 percent of all the shares in Valmet Oyj. The new shares and treasury shares may be issued for consideration or without consideration.

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

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

As at March 31, 2021, Valmet's Board of Directors had not used the authorizations given by the Annual General meeting on March 23, 2021.

Share-based incentive plans

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

Long-term incentive plan 2018–2020

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

Performance period	2018	2019	2020
Incentive based on	Comparable EBITA as a percentage of net sales, and orders received growth in the stable business	Comparable EBITA as a percentage of net sales, and orders received growth in the stable business	Comparable EBITA as a percentage of net sales, and orders received growth in the stable business
Reward payment	In spring 2019	In spring 2020	In spring 2021
Total gross number of shares earned	350,029	272,762	149,476

In its meeting on December 17, 2020, the Board of Directors of Valmet decided to use the authorization granted by the Annual General Meeting held on June 16, 2020, to repurchase the Company's own shares. Based on the authorization, the Board decided to initiate a fixed-term share buy-back program for the purpose of acquiring the Company's own shares to meet part of the obligations arising from the LTI Plans and the Restricted Pool incentive. The share acquisitions began on February 10, 2021 and ended on February 12, 2021. The total number of shares acquired was 100,000. The shares were acquired at market price in public trading on Nasdaq Helsinki Ltd.

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

Long-term incentive plan 2021–2023

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

Performance Share Plan

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

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

Deferred Share Plan

The Deferred Share Plan is directed to other key employees and management talents. It includes a one-year performance period, the year 2021. The predefined performance measures and targets are decided by Valmet's Board of Directors and are the same as in the Executive Team's Performance Share Plan. The Deferred Share Plan is directed to a maximum of 130 participants, of which approximately 80 are key employees in management positions, and approximately 50 are management talents.

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

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

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

At the end of the reporting period, the Company held 391,268 treasury shares related to the share-based incentive programs.

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

Resolutions of Valmet’s Annual General Meeting

The Annual General Meeting 2021 was held in Helsinki on March 23, 2021. The Annual General Meeting adopted the Financial Statements for 2020 and discharged the members of the Board of Directors and the President and CEO from liability for the 2020 financial year. In respect of the approval of the Remuneration Report 2020, the majority of votes objected to the approval of the Remuneration Report. The decision is advisory. Valmet will further analyze the voting recommendations and voting results in order to ensure that the remuneration report will better meet the shareholders’ expectations. The Annual General Meeting approved the Board of Directors' proposals concerning authorizing the Board to decide on repurchasing the Company’s own shares and to decide on the issuance of shares and the issuance of special rights entitling to shares.

The Annual General Meeting decided to pay dividends of EUR 0.90 per share for the financial period ended on December 31, 2020.

The Annual General Meeting 2021 confirmed the number of Board members as eight and reappointed Mikael Mäkinen as Chairman of Valmet Oyj's Board and Aaro Cantell as Vice-Chairman. Pekka Kemppainen, Monika Maurer, Eriikka Söderström, Tarja Tyni and Rogério Ziviani continue as members of the Board. Per Lindberg was elected as a new Board member. The term of office of the members of the Board of Directors expires at the close of the Annual General Meeting 2022.

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

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

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

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 2.8 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, 2021, Valmet had EUR 716 million (EUR 687 million) of goodwill on its statement of financial position. Valmet assesses the carrying value of its goodwill for impairment annually, or more frequently if facts and circumstances indicate that carrying value may not be recoverable. Valmet has not identified any indications of impairment during the reporting period. The principles used for impairment testing are presented in the Financial Statements.

The COVID-19 pandemic

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

Events after the reporting period

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

Guidance for 2021

On April 16, 2021, Valmet revised upwards its net sales and Comparable EBITA guidance for 2021.

Revised guidance (on April 16, 2021):

Valmet estimates that net sales in 2021 will increase in comparison with 2020 (EUR 3,740 million) and Comparable EBITA in 2021 will increase in comparison with 2020 (EUR 365 million).

Previous guidance (on February 4, 2021):

Valmet estimates that net sales in 2021 will remain at the previous year's level in comparison with 2020 (EUR 3,740 million) and Comparable EBITA in 2021 will remain at the previous year's level in comparison with 2020 (EUR 365 million).

Market outlook

General economic outlook according to IMF

Global growth is projected at 6 percent in 2021, moderating to 4.4 percent in 2022. The revised forecasts reflect additional fiscal support in a few large economies, the anticipated vaccine-powered recovery in the second half of 2021, and continued adaptation of economic activity to subdued mobility. High uncertainty surrounds this outlook, related to the path of the pandemic, the effectiveness of policy support to provide a bridge to vaccine-powered normalization, and the evolution of financial conditions. (International Monetary Fund, April 2021)

Short-term market outlook

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

In Espoo on April 22, 2021

Valmet’s Board of Directors

Consolidated statement of income

EUR million	**Q1/2021**	Q1/2020
Net sales	**858**	821
Cost of goods sold	**-644**	-617
Gross profit	**214**	203
Selling, general and administrative expenses	**-142**	-150
Other operating income and expenses, net	**4**	-12
Share in profits and losses of associated companies, operative investments	**—**	—
Operating profit	**76**	42
Financial income and expenses, net	**-1**	-1
Share in profits and losses of associated companies, financial investments	**—**	-2
Profit before taxes	**75**	40
Income taxes	**-18**	-10
Profit for the period	**57**	30
Attributable to:		
Owners of the parent	**57**	30
Non-controlling interests	**—**	—
Profit for the period	**57**	30
Earnings per share attributable to owners of the parent:		
Earnings per share, EUR	**0.38**	0.20
Diluted earnings per share, EUR	**0.38**	0.20

Consolidated statement of comprehensive income

EUR million	**Q1/2021**	Q1/2020
Profit for the period	**57**	30
Items that may be reclassified to profit or loss:		
Cash flow hedges	**-17**	-9
Currency translation on subsidiary net investments	**7**	-17
Share of other comprehensive income of associated companies accounted for using equity method	**-2**	—
Income tax relating to items that may be reclassified	**3**	2
Total items that may be reclassified to profit or loss	**-8**	-24
Items that will not be reclassified to profit or loss:		
Remeasurement of defined benefit plans	**31**	-49
Income tax relating to items that will not be reclassified	**-7**	13
Total items that will not be reclassified to profit or loss	**24**	-36
Other comprehensive income for the period	**16**	-61
Total comprehensive income for the period	**73**	-31
Attributable to:		
Owners of the parent	**73**	-31
Non-controlling interests	**—**	—
Total comprehensive income for the period	**73**	-31

Consolidated statement of financial position

Assets

EUR million	As at March 31, 2021	As at March 31, 2020	As at December 31, 2020
Non-current assets			
Intangible assets			
Goodwill	**716**	687	711
Other intangible assets	**271**	251	272
Total intangible assets	**987**	939	983
Property, plant and equipment			
Land and water areas	**25**	24	25
Buildings and structures	**124**	118	124
Machinery and equipment	**180**	168	178
Leased assets	**65**	64	66
Assets under construction	**54**	45	48
Total property, plant and equipment	**448**	420	441
Other non-current assets			
Investments in associated companies	**465**	11	468
Non-current financial assets	**13**	15	23
Deferred tax assets	**68**	89	61
Non-current income tax receivables	**25**	30	27
Other non-current assets	**14**	14	14
Total other non-current assets	**585**	159	592
Total non-current assets	**2,021**	1,518	2,016
Current assets			
Inventories			
Materials and supplies	**79**	85	89
Work in progress	**386**	358	355
Finished products	**137**	102	110
Total inventories	**602**	546	553
Receivables and other current assets			
Trade receivables	**561**	525	602
Amounts due from customers under revenue contracts	**198**	255	229
Other current financial assets	**96**	84	124
Income tax receivables	**33**	27	28
Other receivables	**127**	101	133
Cash and cash equivalents	**385**	417	274
Total receivables and other current assets	**1,400**	1,409	1,389
Total current assets	**2,002**	1,955	1,943
Total assets	**4,022**	3,473	3,959

Consolidated statement of financial position

Equity and liabilities

EUR million	As at March 31, 2021	As at March 31, 2020	As at December 31, 2020
Equity			
Share capital	**100**	100	100
Reserve for invested unrestricted equity	**426**	423	423
Cumulative translation adjustments	**-33**	-34	-40
Hedge and other reserves	**8**	-6	21
Retained earnings	**573**	520	633
Equity attributable to owners of the parent	**1,073**	1,004	1,137
Non-controlling interests	**6**	6	6
Total equity	**1,079**	1,010	1,142
Liabilities			
Non-current liabilities			
Non-current debt	**374**	138	417
Non-current lease liabilities	**39**	39	40
Post-employment benefits	**170**	237	201
Non-current provisions	**43**	36	47
Other non-current liabilities	**7**	19	18
Deferred tax liabilities	**68**	63	65
Total non-current liabilities	**701**	531	789
Current liabilities			
Current portion of non-current debt	**43**	18	18
Current debt	**—**	30	—
Current lease liabilities	**22**	22	22
Trade payables	**298**	317	372
Current provisions	**168**	131	164
Amounts due to customers under revenue contracts	**1,119**	1,013	1,002
Other current financial liabilities	**32**	35	29
Income tax liabilities	**56**	53	65
Other current liabilities	**504**	313	357
Total current liabilities	**2,242**	1,933	2,029
Total liabilities	**2,943**	2,464	2,817
Total equity and liabilities	**4,022**	3,473	3,959

Consolidated statement of cash flows

EUR million	Q1/2021	Q1/2020
Cash flows from operating activities		
Profit for the period	**57**	30
Adjustments		
Depreciation and amortization	**30**	27
Financial income and expenses	**1**	1
Income taxes	**18**	10
Other non-cash items	**-20**	-10
Change in net working capital	**104**	150
Net interests and dividends received	**-2**	-2
Income taxes paid	**-39**	-32
Net cash provided by (+) / used in (-) operating activities	**148**	173
Cash flows from investing activities		
Capital expenditure on fixed assets	**-24**	-17
Proceeds from sale of fixed assets	**1**	—
Business combinations, net of cash acquired and loans repaid	**—**	—
Investments in associated companies	**—**	—
Net cash provided by (+) / used in (-) investing activities	**-23**	-17
Cash flows from financing activities		
Redemption of own shares	**-3**	-6
Dividends paid	**—**	—
Proceeds from non-current debt	**100**	50
Repayments of non-current debt	**-118**	-101
Repayments of lease liabilities	**-6**	-6
Change in current debt	**—**	30
Financial investments	**7**	-19
Net cash provided by (+) / used in (-) financing activities	**-20**	-53
Net increase (+) / decrease (-) in cash and cash equivalents	**105**	104
Effect of changes in exchange rates on cash and cash equivalents	**7**	-2
Cash and cash equivalents at beginning of period	**274**	316
Cash and cash equivalents at end of the period	**385**	417

Consolidated statement of changes in equity

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

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 22, 2021.

Basis of presentation

These condensed consolidated interim financial statements for the three months ended March 31, 2021, have been prepared in accordance with IAS 34 – Interim financial reporting and in conformity with IFRS as adopted by the European Union. The financial information presented in these condensed consolidated interim financial statements has not been audited. These condensed consolidated interim financial statements should be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2020, which have been prepared in accordance with IFRS.

Valmet Group has applied new standards and interpretations published by IASB that are effective for the first time for financial reporting periods commencing on January 1, 2021. These standards and interpretations did not have a material impact on the results or financial position of the Group, or the presentation of these condensed consolidated interim financial statements.

Except for the above, the accounting policies applied in the preparation of these condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2020.

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

Key exchange rates

	Average rates		**Period-end rates**	
	Q1/2021	Q1/2020	**Q1/2021**	Q1/2020
USD (US dollar)	**1.2063**	1.1055	**1.1725**	1.0956
SEK (Swedish krona)	**10.1306**	10.7147	**10.2383**	11.0613
CNY (Chinese yuan)	**7.8367**	7.7329	**7.6812**	7.7784

Business combinations

Acquisition of PMP Group

The acquisition of PMP Group in Poland, announced on September 11, 2020, was completed on October 1, 2020. The assumed accounting for the acquisition of PMP Group, including estimated purchase consideration, is based on provisional amounts and the associated purchase accounting is not final. During the three months ended March 31, 2021, there were no material changes made to the provisional amounts recognized as at December 31, 2020.

Reporting segments and geographic information

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

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

EUR million	**Q1/2021**	Q1/2020
Net sales	**858**	821
Comparable EBITA	**80**	52
% of net sales	**9.4%**	6.3%
Operating profit	**76**	42
% of net sales	**8.9%**	5.1%
Amortization	**-13**	-9
Depreciation, property, plant and equipment (excl. leased assets)	**-12**	-12
Depreciation, leased assets	**-6**	-6
Gross capital expenditure (excl. business combinations and leased assets)	**-24**	-17
Additions to leased assets	**-6**	-9
Capital employed, end of period	**1,557**	1,256
Orders received	**1,312**	1,187
Order backlog, end of period	**3,709**	3,557

Reconciliation between Comparable EBITA, EBITA and Operating profit

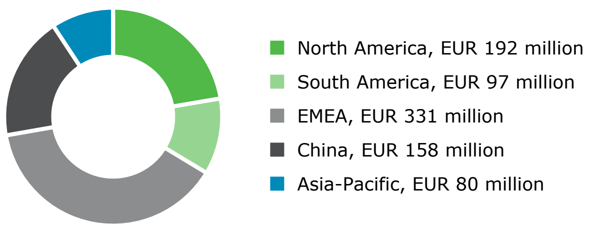
EUR million	Q1/2021	Q1/2020
Comparable EBITA	**80**	52
Items affecting comparability in cost of sales		
Expenses related to capacity adjustments	**—**	—
Expensing of fair value adjustments recognized in business combinations	**-1**	-1
Other items affecting comparability	**—**	—
Items affecting comparability in selling, general and administrative expenses		
Expenses related to capacity adjustments	**—**	—
Expenses related to acquisitions	**—**	—
Other items affecting comparability	**—**	—
Items affecting comparability in other operating income and expenses		
Expenses related to capacity adjustments	**5**	—
Other items affecting comparability	**—**	—
Items affecting comparability in share in profits and losses of associated companies, operative investments		
Other items affecting comparability	**3**	—
EBITA	**89**	51
Amortization included in selling, general and administrative expenses		
Intangibles recognized in business combinations	**-5**	-5
Other intangibles	**-4**	-3
Amortization included in share in profits and losses of associated companies, operative investments		
Other intangibles	**-4**	—
Operating profit	**76**	42

Entity-wide information

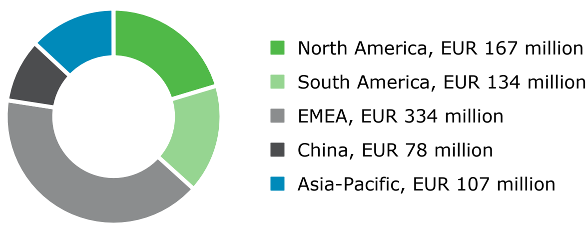
Valmet has operations globally in over 35 countries. Measured by net sales, the top three countries in Q1/2021 were China, the USA and Brazil, which together accounted for 44 percent of total net sales. In Q1/2020, the top three countries were the USA, Brazil and China, which together accounted for 34 percent of total net sales. Net sales for Finland (the country of domicile) amounted EUR 80 million in Q1/2021 (EUR 64 million).

Net sales by destination:

Q1/2021: EUR 858 million



Q1/2020: EUR 821 million



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

EUR million	North America	South America	EMEA	China	Asia-Pacific	Total
Q1/2021	**1**	**—**	**21**	**2**	**—**	**24**
Q1/2020	1	—	12	2	—	17

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	Q1/2021	Q1/2020
Services	**290**	295
Automation	**49**	69
Pulp and Energy	**230**	240
Paper	**289**	217
Total	**858**	821

Timing of revenue recognition:

EUR million	Q1/2021	Q1/2020
Performance obligations satisfied at a point in time	**333**	344
Performance obligations satisfied over time	**525**	477
Total	**858**	821

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

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

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

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

Amounts due from customers under revenue contracts:

EUR million	**Q1/2021**	Q1/2020	2020
Balance at beginning of the period	**229**	263	263
Translation differences	**1**	-5	1
Acquired in business combinations	**—**	—	—
Revenue recognized in the period	**129**	170	628
Transfers to trade receivables	**-161**	-172	-664
Balance at end of the period	**198**	255	229

Amounts due to customers under revenue contracts:

EUR million	**Q1/2021**	Q1/2020	2020
Balance at beginning of the period	**1,002**	913	913
Translation differences	**9**	-24	-30
Acquired in business combinations	**—**	—	39
Revenue recognized in the period	**-565**	-395	-2,008
Consideration invoiced and/or received	**673**	519	2,088
Balance at end of the period	**1,119**	1,013	1,002

EUR million	**As at March 31, 2021**	As at March 31, 2020	As at December 31, 2020
Amounts due to customers under revenue contracts for which revenue is recognized			
Point in time	**322**	263	308
Over time	**797**	750	694
Carrying value at end of the period	**1,119**	1,013	1,002

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

As at March 31, 2021, Valmet had no costs to obtain or fulfill contracts capitalized under IFRS 15.

The aggregate amount of transaction price allocated to unsatisfied or partially satisfied performance obligations as at March 31, 2021, was EUR 3,709 million (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. 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, 2021**	As at March 31, 2020	As at December 31, 2020	**Q1/2021 impact**
Assets included in net working capital				
Non-current trade receivables	**1**	1	1	**—**
Other non-current assets	**14**	14	14	**1**
Inventories	**602**	546	553	**-48**
Trade receivables	**561**	525	602	**41**
Amounts due from customers under revenue contracts	**198**	255	229	**31**
Derivative financial instruments (assets)	**42**	44	68	**26**
Other receivables	**127**	101	133	**6**
Liabilities included in net working capital				
Post-employment benefits	**-170**	-237	-201	**-32**
Provisions	**-212**	-167	-211	**—**
Other non-current non-interest-bearing liabilities	**-3**	-3	-3	**—**
Trade payables	**-298**	-317	-372	**-74**
Amounts due to customers under revenue contracts	**-1,119**	-1,013	-1,002	**117**
Derivative financial instruments (liabilities)	**-36**	-50	-44	**-7**
Other current liabilities	**-504**	-313	-355	**148**
Total net working capital	**-797**	-614	-588	**209**
Remeasurement of defined benefit plans				**31**
Change in allowance for doubtful receivables and inventory obsolescence provision				**-2**
Dividend liability (non-cash net working capital change in Q1)				**-135**
Change in net working capital in the Consolidated statement of cash flows				**104**

Intangible assets and property, plant and equipment

Intangible assets

EUR million	Q1/2021	Q1/2020	2020
Carrying value at beginning of the period	**983**	941	941
Translation differences	**6**	1	-15
Capital expenditure	**7**	6	29
Acquired in business combinations	**-1**	—	61
Amortization charges for the period	**-9**	-9	-33
Impairment losses	**—**	—	-1
Other changes and disposals	**—**	-1	1
Carrying value at end of the period	**987**	939	983

Property, plant and equipment (excl. leased assets)

EUR million	Q1/2021	Q1/2020	2020
Carrying value at beginning of the period	**375**	365	365
Translation differences	**3**	-8	-9
Capital expenditure	**17**	10	60
Acquired in business combinations	**—**	—	8
Depreciation charges for the period	**-12**	-12	-47
Other changes and disposals	**—**	—	-1
Carrying value at end of the period	**384**	355	375

Leases

Leased assets

EUR million	Q1/2021	Q1/2020	2020
Carrying value at beginning of the period	**66**	65	65
Translation differences	**1**	-1	-2
Additions	**6**	9	27
Acquired in business combinations	**—**	—	2
Depreciation	**-6**	-6	-24
Other changes	**-1**	-2	-3
Carrying value at end of the period	**65**	64	66

Investments in associated companies

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

Valmet's and Neles' financial statements are coterminous, but as Neles publishes its interim reports at or near the same time as Valmet, Valmet's share of Neles' results are accounted for with a lag of one quarter. Valmet's financial statements for the three months ended March 31, 2021 include Valmet's share of Neles' fourth-quarter 2020 results, amounting to EUR 4 million.

Valmet had no material transactions with Neles in the three months ended March 31, 2021, or material receivables or liabilities as at March 31, 2021.

Financial instruments

Derivative financial instruments

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

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	—	—	—

[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, 2021	As at March 31, 2020	As at December 31, 2020
Non-current financial assets			
Interest-bearing	**—**	—	—
Non-interest-bearing	**13**	15	22
Total	**13**	15	23

EUR million	As at March 31, 2021	As at March 31, 2020	As at December 31, 2020
Other current financial assets			
Interest-bearing	**62**	49	73
Non-interest-bearing	**33**	34	50
Total	**96**	84	124

The table does not include cash and cash equivalents and banker's acceptance drafts.

Valmet's interest-bearing liabilities consist of debt and lease liabilities, and debt portfolio includes only loans from financial institutions.

Provisions

EUR million	Q1/2021	Q1/2020	2020
Balance at beginning of the period	**211**	173	173
Translation differences	**—**	-3	-3
Additions charged to profit or loss	**26**	22	136
Acquired in business combinations	**—**	—	1
Used reserve	**-12**	-17	-63
Reversal of reserve	**-14**	-7	-32
Balance at end of the period	**212**	167	211
Non-current	**43**	36	47
Current	**168**	131	164

Contingencies and commitments

EUR million	As at March 31, 2021	As at March 31, 2020	As at December 31, 2020
Guarantees on behalf of Valmet Group	**1,184**	1,017	1,032

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

Key ratios

	Q1/2021	Q1/2020
Earnings per share, EUR	**0.38**	0.20
Diluted earnings per share, EUR	**0.38**	0.20
Equity per share at end of period, EUR	**7.18**	6.72
Return on equity (ROE), % (annualized)	**21%**	12%
Return on capital employed (ROCE) before taxes, % (annualized)	**20%**	13%
Equity to assets ratio at end of period, %	**37%**	41%
Gearing at end of period, %	**3%**	-22%
Cash flow provided by operating activities, EUR million	**148**	173
Cash flow after investments, EUR million	**125**	156
Gross capital expenditure (excl. business combinations and leased assets), EUR million	**-24**	-17
Additions to leased assets, EUR million	**-6**	-9
Business combinations, net of cash acquired and loans repaid, EUR million	**—**	—
Investments in associated companies	**—**	—
Depreciation and amortization, EUR million	**-30**	-27
Amortization	**-13**	-9
Depreciation, property, plant and equipment (excl. leased assets)	**-12**	-12
Depreciation, leased assets	**-6**	-6
Number of outstanding shares at end of period	**149,473,351**	149,499,026
Average number of outstanding shares	**149,452,125**	149,510,001
Average number of diluted shares	**149,452,125**	149,510,001
Interest-bearing liabilities at end of period, EUR million	**478**	246
Net interest-bearing liabilities at end of period, EUR million	**30**	-220

Formulas for calculation of indicators

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

EBITA:
Operating profit + amortization

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

Earnings per share:

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

Earnings per share, diluted:

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

Equity per share:

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

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

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

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

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

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

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

Equity to assets ratio, %:

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

Gearing, %:

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

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

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

Quarterly information

EUR million	Q1/2021	Q4/2020	Q3/2020	Q2/2020	Q1/2020
Net sales	**858**	1,167	832	919	821
Comparable EBITA	**80**	146	91	76	52
% of net sales	**9.4%**	12.5%	10.9%	8.3%	6.3%
Operating profit	**76**	135	79	62	42
% of net sales	**8.9%**	11.6%	9.5%	6.8%	5.1%
Profit before taxes	**75**	133	75	60	40
% of net sales	**8.7%**	11.4%	9.0%	6.5%	4.9%
Profit for the period	**57**	100	57	44	30
% of net sales	**6.7%**	8.6%	6.9%	4.8%	3.6%
Earnings per share, EUR	**0.38**	0.67	0.38	0.29	0.20
Earnings per share, diluted, EUR	**0.38**	0.67	0.38	0.29	0.20
Amortization	**-13**	-11	-8	-8	-9
Depreciation, property, plant and equipment (excl. leased assets)	**-12**	-12	-12	-12	-12
Depreciation, leased assets	**-6**	-6	-6	-6	-6
Research and development expenses, net	**-19**	-22	-15	-20	-17
% of net sales	**-2.2%**	-1.9%	-1.9%	-2.2%	-2.1%
Items affecting comparability:					
in cost of goods sold	**—**	-4	—	-3	-1
in selling, general and administrative expenses	**—**	—	-3	-3	—
in other operating income and expenses, net	**5**	2	—	—	—
in share in profits and losses of associated companies, operative investments	**3**	3	—	—	—
Total items affecting comparability	**8**	—	-3	-6	-1
Gross capital expenditure (excl. business combinations and leased assets)	**-24**	-24	-21	-27	-17
Additions to leased assets	**-6**	-3	-4	-10	-9
Business combinations, net of cash acquired and loans repaid	**—**	-48	—	—	—
Investments in associated companies	**—**	-3	-453	—	—
Capital employed, end of period	**1,557**	1,639	1,541	1,327	1,256
Orders received	**1,312**	940	700	826	1,187
Order backlog, end of period	**3,709**	3,257	3,311	3,492	3,557

Valmet´s financial reporting in 2021

July 22, 2021 - Half Year Financial Review for January–June 2021
October 26, 2021 - Interim Review for January–September 2021

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