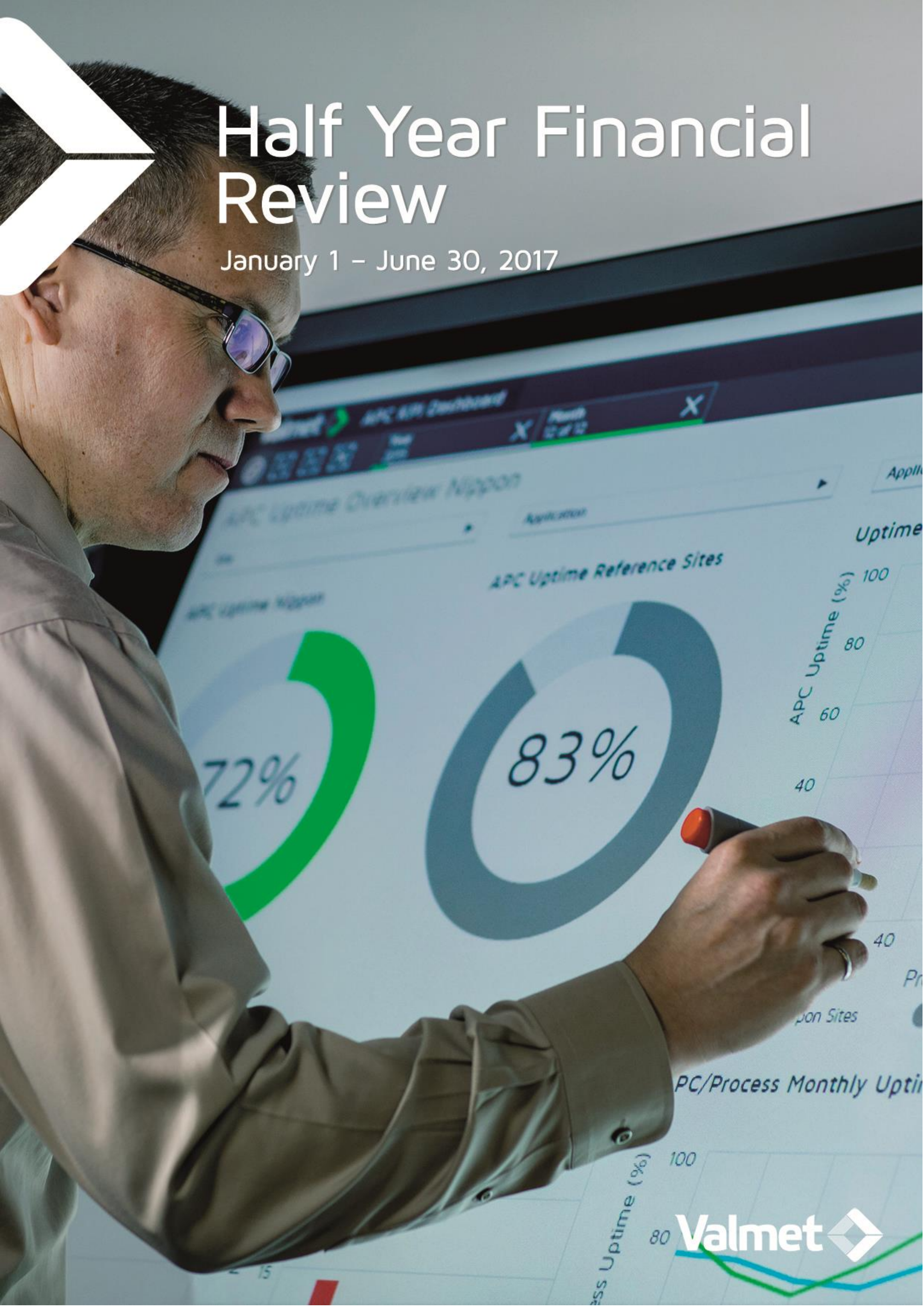
Half Year Financial Review

January 1 – June 30, 2017



Valmet's Half Year Financial Review January 1 – June 30, 2017

Orders received increased – profitability at the previous year's level

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

April–June 2017: Orders received more than doubled in the Paper business line

- Orders received increased to EUR 796 million (EUR 692 million).
  - Orders received increased in the Paper and Automation business lines, remained at the previous year's level in the Services business line and decreased in the Pulp and Energy business line.
  - Orders received increased in China and South America, remained at the previous year's level in Asia-Pacific and EMEA (Europe, Middle East and Africa), and decreased in North America.
- Net sales remained at the previous year's level at EUR 803 million (EUR 804 million).
  - Net sales increased in the Paper business line, remained at the previous year's level in the Automation and Services business lines, and decreased in the Pulp and Energy business line.
- Comparable earnings before interest, taxes and amortization (Comparable EBITA) were EUR 57 million (EUR 57 million) and the corresponding Comparable EBITA margin was 7.1 percent (7.1%).
- Earnings per share were EUR 0.22 (EUR 0.21).
- Items affecting comparability amounted to EUR -1 million (EUR -1 million).
- Cash flow provided by operating activities was EUR 31 million (EUR 33 million).

January–June 2017: Orders received increased more than 20 percent

- Orders received increased to EUR 1,802 million (EUR 1,495 million).
  - Orders received increased in the Paper, Automation and Services business lines and remained at the previous year's level in the Pulp and Energy business line.
  - Orders received increased in China, Asia-Pacific, North America and EMEA and decreased in South America.
- Net sales remained at the previous year's level at EUR 1,475 million (EUR 1,456 million).
  - Net sales increased in the Paper business line and remained at the previous year's level in the other business lines.
- Comparable earnings before interest, taxes and amortization (Comparable EBITA) were EUR 91 million (EUR 88 million), and the corresponding Comparable EBITA margin was 6.2 percent (6.1%).
- Earnings per share were EUR 0.34 (EUR 0.28).
- Items affecting comparability amounted to EUR 2 million (EUR -3 million).
- Cash flow provided by operating activities was EUR 125 million (EUR 36 million).

Valmet reiterates its guidance for 2017

Valmet reiterates its guidance presented on April 12, 2017, in which Valmet estimates that net sales in 2017 will increase in comparison with 2016 (EUR 2,926 million) and Comparable EBITA in 2017 will increase in comparison with 2016 (EUR 196 million).

Short-term outlook

General economic outlook

The mood in the global economy has brightened during the past year, with confidence indicators and industrial production increasing, and investment and trade improving in most economies. Global growth is projected to rise modestly from 3 percent in 2016 to just over 3.5 percent by 2018. However, financial stability risks persist and could affect the modest recovery. Geopolitical shocks and trade protectionism could catalyze snap-backs in asset prices and realize downside risks through a variety of channels. Current market expectations imply a rising divergence in short-term interest rates between the major advanced economies in the coming years. This creates risk of sharp exchange rate movements, or other instabilities in financial markets. (OECD Economic Outlook, June 7, 2017)

Short-term market outlook

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

President and CEO Pasi Laine: High customer activity continued and orders received increased

“The first six months of 2017 were characterized by high market activity, and since the beginning of the year, Valmet was able to increase its orders received over 20 percent. In the capital business, the tissue, board and paper, and energy markets have been active. Orders received in the Paper business line increased almost 90 percent during the first half of the year, while the orders in the Pulp and Energy business line remained at the previous year’s level. In the stable business, orders received in the Automation business line increased 10 percent and the order growth in the Services business line was 7 percent.

Despite the success in orders, we need to continue to focus on improving profitability. Comparable EBITA margin in the second quarter remained at the previous year’s level at 7.1 percent, and for the last 12 months we now stand at 6.8 percent. There is still some way to go to reach our long-term margin target of 8–10 percent. It is an ambitious target, but I strongly believe we can get there.

In June, we launched our new Industrial Internet offering. With our new offering of reliability and performance services, and by opening a Performance Center for each of our four customer industries, we are taking our Industrial Internet services to the next level. Valmet is the leading process technology, automation and services provider for the pulp, paper and energy industries globally, and our Industrial Internet applications and services are built on the experience and know-how we have gained from this unique offering over the years.”

Key figures[1]

EUR million	Q2/2017	Q2/2016	Change	Q1–Q2/ 2017	Q1–Q2/ 2016	Change
Orders received	**796**	692	15%	**1,802**	1,495	21%
Order backlog[2]	**2,551**	2,106	21%	**2,551**	2,106	21%
Net sales	**803**	804	0%	**1,475**	1,456	1%
Comparable earnings before interest, taxes and amortization (Comparable EBITA)	**57**	57	0%	**91**	88	4%
% of net sales	**7.1%**	7.1%		**6.2%**	6.1%	
Earnings before interest, taxes and amortization (EBITA)	**56**	55	1%	**93**	85	9%
% of net sales	**6.9%**	6.9%		**6.3%**	5.8%	
Operating profit (EBIT)	**48**	47	2%	**77**	66	17%
% of net sales	**6.0%**	5.8%		**5.2%**	4.5%	
Profit before taxes	**45**	44	3%	**72**	60	19%
Profit / loss	**33**	31	7%	**52**	43	21%
Earnings per share, EUR	**0.22**	0.21	8%	**0.34**	0.28	22%
Earnings per share, diluted, EUR	**0.22**	0.21	8%	**0.34**	0.28	22%
Equity per share, EUR	**5.82**	5.58	4%	**5.82**	5.58	4%
Cash flow provided by operating activities	**31**	33	-7%	**125**	36	>100%
Cash flow after investments	**15**	16	-4%	**95**	8	>100%
Return on equity (ROE) (annualized)				**12%**	10%	
Return on capital employed (ROCE) before taxes (annualized)				**13%**	11%	

[1] *The calculation of key figures is presented on page 38.*

[2] *At the end of period.*

Equity to assets ratio and gearing	As at June 30, 2017	As at June 30, 2016	As at March 31, 2017
Equity to assets ratio at end of period	**38%**	36%	37%
Gearing at end of period	**4%**	27%	-3%

Orders received, EUR million	Q2/2017	Q2/2016	Change	Q1–Q2/ 2017	Q1–Q2/ 2016	Change
Services	**321**	321	0%	**676**	634	7%
Automation	**91**	82	12%	**163**	148	10%
Pulp and Energy	**141**	180	-22%	**406**	417	-3%
Paper	**243**	109	>100%	**557**	295	88%
Total	**796**	692	15%	**1,802**	1,495	21%

Order backlog, EUR million	As at June 30, 2017	As at June 30, 2016	Change	As at March 31, 2017
Total	**2,551**	2,106	21%	2,613

Net sales, EUR million	**Q2/2017**	Q2/2016	Change	**Q1–Q2/ 2017**	Q1–Q2/ 2016	Change
Services	**302**	304	-1%	**554**	561	-1%
Automation	**73**	73	-1%	**132**	131	1%
Pulp and Energy	**245**	262	-7%	**449**	443	1%
Paper	**184**	165	12%	**340**	321	6%
Total	**803**	804	0%	**1,475**	1,456	1%

News conference and webcast for analysts, investors and media

Valmet will arrange a news conference in English for analysts, investors, and media on Thursday, July 27, 2017 at 4:00 p.m. Finnish time (EET). The news conference will be held at Valmet Head Office in Keilaniemi, Keilasatama 5, 02150 Espoo, Finland. The news conference can also be followed through a live webcast at www.valmet.com/webcasts.

It is also 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 3:55 p.m. (EET), at +44 1452 560304. The participants will be asked to provide the following conference ID: 50508494.

During the webcast and the conference call, all questions should be presented in English. After the webcast and the conference call, media has a possibility to interview the management in Finnish.

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

Valmet’s Half Year Financial Review January 1 – June 30, 2017

Orders received increased especially in the Paper business line

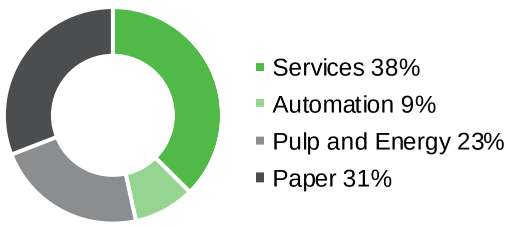
Orders received, EUR million	Q2/2017	Q2/2016	Change	Q1–Q2/ 2017	Q1–Q2/ 2016	Change
Services	**321**	321	0%	**676**	634	7%
Automation	**91**	82	12%	**163**	148	10%
Pulp and Energy	**141**	180	-22%	**406**	417	-3%
Paper	**243**	109	>100%	**557**	295	88%
Total	**796**	692	15%	**1,802**	1,495	21%

Orders received, comparable foreign exchange rates, EUR million[1]	Q2/2017	Q2/2016	Change	Q1–Q2/ 2017	Q1–Q2/ 2016	Change
Services	**322**	321	0%	**671**	634	6%
Automation	**91**	82	11%	**161**	148	9%
Pulp and Energy	**142**	180	-21%	**405**	417	-3%
Paper	**249**	109	>100%	**560**	295	90%
Total	**803**	692	16%	**1,797**	1,495	20%

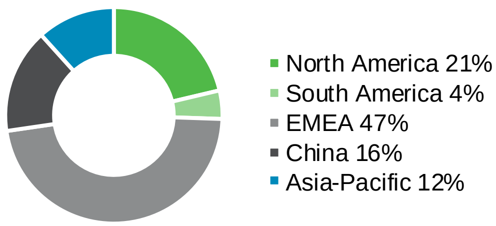
[1] Indicative only. January to June 2017 orders received in euro calculated by applying January–June 2016 average exchange rates to the functional currency orders received values reported by entities.

Orders received, EUR million	Q2/2017	Q2/2016	Change	Q1–Q2/ 2017	Q1–Q2/ 2016	Change
North America	**139**	152	-8%	**384**	259	48%
South America	**43**	37	16%	**76**	146	-48%
EMEA	**347**	364	-5%	**849**	809	5%
China	**190**	59	>100%	**282**	148	91%
Asia-Pacific	**77**	80	-3%	**210**	134	57%
Total	**796**	692	15 %	**1,802**	1,495	21%

Orders received by business line, Q1–Q2/2017



Orders received by area, Q1–Q2/2017



April–June 2017: Increase in orders received driven by the Paper business line

Orders received in April–June amounted to EUR 796 million, i.e. 15 percent more than in the comparison period (EUR 692 million). Stable business (Services and Automation business lines) accounted for 52 percent of Valmet’s orders received (58%). Orders received increased in the Paper and Automation business lines, remained at the previous year’s level in the Services business line and decreased in the Pulp and Energy business line. Orders received increased in China and South America, remained at the previous year’s level in Asia-Pacific and EMEA, and decreased in North America. Measured by orders received, the top three countries were China, the USA and Denmark, which together accounted for 49 percent of total orders received. The emerging markets accounted for 44 percent (40%) of orders received.

Changes in foreign exchange rates compared with the exchange rates for the corresponding period in 2016 decreased orders received by approximately EUR 7 million in April–June.

During April–June, Valmet received among others an order for two containerboard machines with related automation systems in China, typically valued at EUR 100–120 million, an order for a biomass power plant and an automation system in Denmark, valued at approximately EUR 80 million, an order for a complete tissue production line with an automation package in Spain, an order for a tissue machine in Russia, and an order for a tissue machine rebuild in El Salvador.

January–June 2017: Orders received increased in Paper, Automation and Services business lines

Orders received in January–June amounted to EUR 1,802 million, i.e. 21 percent more than in the comparison period (EUR 1,495 million). Stable business accounted for 47 percent of Valmet's orders received (52%). Orders received increased in the Paper, Automation and Services business lines and remained at the previous year's level in the Pulp and Energy business line. Orders received increased in China, Asia-Pacific, North America and EMEA and decreased in South America. Measured by orders received, the top three countries were the USA, China and Finland, which together accounted for 42 percent of total orders received. The emerging markets accounted for 41 percent (37%) of orders received.

Changes in foreign exchange rates compared with the exchange rates for the corresponding period in 2016 increased orders received by approximately EUR 5 million in January–June.

In addition to the above-mentioned, during January–June, Valmet received among others an order for a paper machine rebuild in the USA, typically valued at EUR 60–70 million, an order for a fine paper line in the United Arab Emirates, typically valued at around EUR 45–70 million, an order for a multi-fuel boiler and a flue gas cleaning system in Japan, usually around EUR 50 million, and an order for a biomass-fired power boiler and a flue gas cleaning system in Japan, typically valued at EUR 30–45 million.

Order backlog EUR 444 million higher than at the end of June 2016

Order backlog, EUR million	**As at June 30, 2017**	As at June 30, 2016	Change	As at March 31, 2017
Total	**2,551**	2,106	21%	2,613

At the end of June 2017, the order backlog was EUR 2,551 million, which was 2 percent lower than at the end of March 2017, and 21 percent higher than at the end of the comparison period. Approximately 25 percent of the order backlog relates to stable business (approximately 30% at the end of June 2016). Approximately 50 percent of the order backlog is expected to be realized as net sales during 2017.

Stable business accounted for 47 percent of net sales in Q2/2017

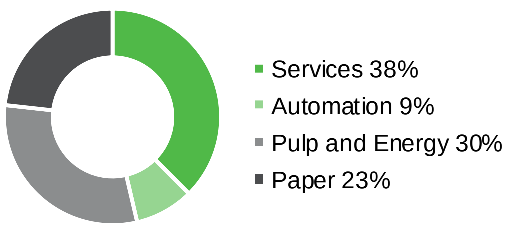
Net sales, EUR million	**Q2/2017**	Q2/2016	Change	**Q1–Q2/ 2017**	Q1–Q2/ 2016	Change
Services	**302**	304	-1%	**554**	561	-1%
Automation	**73**	73	-1%	**132**	131	1%
Pulp and Energy	**245**	262	-7%	**449**	443	1%
Paper	**184**	165	12%	**340**	321	6%
Total	**803**	804	0%	**1,475**	1,456	1%

Net sales, comparable foreign exchange rates, EUR million[1]	**Q2/2017**	Q2/2016	Change	**Q1–Q2/ 2017**	Q1–Q2/ 2016	Change
Services	**302**	304	-1%	**549**	561	-2%
Automation	**72**	73	-2%	**130**	131	-1%
Pulp and Energy	**247**	262	-6%	**448**	443	1%
Paper	**185**	165	13%	**341**	321	6%
Total	**806**	804	0%	**1,468**	1,456	1%

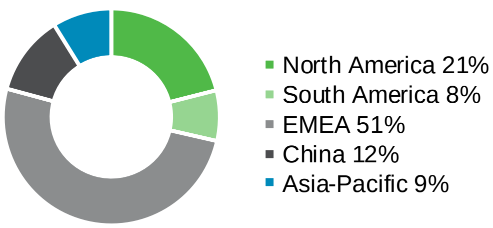
[1] Indicative only. January to June 2017 net sales in euro calculated by applying January–June 2016 average exchange rates to the functional currency net sales values reported by entities.

Net sales, EUR million	**Q2/2017**	Q2/2016	Change	**Q1–Q2/ 2017**	Q1–Q2/ 2016	Change
North America	**175**	181	-3%	**310**	336	-8%
South America	**51**	61	-16%	**111**	105	6%
EMEA	**406**	351	16%	**746**	643	16%
China	**94**	97	-3%	**176**	187	-6%
Asia-Pacific	**77**	114	-33%	**130**	184	-29%
Total	**803**	804	0%	**1,475**	1,456	1%

Net sales by business line, Q1–Q2/2017



Net sales by area, Q1–Q2/2017



April–June 2017: Net sales remained at the previous year's level

Net sales amounted to EUR 803 million in April–June and remained at the previous year's level (EUR 804 million). Stable business accounted for 47 percent of Valmet's net sales (47%). Net sales increased in the Paper business line, remained at the previous year's level in the Automation and Services business lines, and decreased in the Pulp and Energy business line. Net sales increased in EMEA, remained at the previous year's level in China and North America, and decreased in Asia-Pacific and South America. Measured by net sales, the top three countries were the USA, Sweden and China, which together accounted for 41 percent of total net sales. Emerging markets accounted for 36 percent of net sales (41%).

Changes in foreign exchange rates compared with the exchange rates for the corresponding period in 2016 decreased net sales by approximately EUR 2 million in April–June.

January–June 2017: Net sales increased in the Paper business line

Net sales in January–June remained at the previous year's level and were EUR 1,475 million (EUR 1,456 million). Stable business accounted for 47 percent of Valmet's net sales (47%). Net sales increased in the Paper business line and remained at the previous year's level in the other business lines. Net sales increased in EMEA and South America, and decreased in Asia-Pacific, North America and China. Measured by net sales, the top three countries were the USA, China and Finland, which together accounted for 40 percent of total net sales. Emerging markets accounted for 37 percent of net sales (40%).

Changes in foreign exchange rates compared with the exchange rates for the corresponding period in 2016 increased net sales by approximately EUR 7 million in January–June.

Comparable EBITA and operating profit

In April–June, comparable earnings before interest, taxes and amortization (Comparable EBITA) were EUR 57 million, i.e. 7.1 percent of net sales (EUR 57 million and 7.1%). Items affecting comparability amounted to EUR -1 million (EUR -1 million).

In the first half of the year, Comparable EBITA was EUR 91 million, i.e. 6.2 percent of net sales (EUR 88 million and 6.1%). Items affecting comparability amounted to EUR 2 million (EUR -3 million).

Operating profit (EBIT) in April–June was EUR 48 million, i.e. 6.0 percent of net sales (EUR 47 million and 5.8%).

Operating profit (EBIT) in the first half of the year was EUR 77 million, i.e. 5.2 percent of net sales (EUR 66 million and 4.5%).

Net financial income and expenses

Net financial income and expenses in April–June were EUR -3 million (EUR -3 million).

Net financial income and expenses in the first half of the year were EUR -6 million (EUR -6 million).

Profit before taxes and earnings per share

Profit before taxes for April–June was EUR 45 million (EUR 44 million). The profit attributable to owners of the parent in April–June was EUR 33 million (EUR 31 million), corresponding to earnings per share (EPS) of EUR 0.22 (EUR 0.21).

Profit before taxes for the first half of the year was EUR 72 million (EUR 60 million). The profit attributable to owners of the parent in the first half of the year was EUR 51 million (EUR 42 million), corresponding to earnings per share (EPS) of EUR 0.34 (EUR 0.28).

Return on capital employed (ROCE) increased

In January–June, the annualized return on capital employed (ROCE) before taxes was 13 percent (11%) and annualized return on equity (ROE) 12 percent (10%).

Business lines

Services – orders received and net sales remained at the previous year's level in Q2/2017

Services business line	Q2/2017	Q2/2016	Change	Q1–Q2/ 2017	Q1–Q2/ 2016	Change
Orders received (EUR million)	**321**	321	0%	**676**	634	7%
Net sales (EUR million)	**302**	304	-1%	**554**	561	-1%
Personnel (end of period)				**5,569**	5,523	1%

In April–June, orders received by the Services business line remained at the previous year's level at EUR 321 million (EUR 321 million) and accounted for 40 percent of all orders received (46%). Orders received increased in China, remained at the previous year's level in Asia-Pacific, North America and South America, and decreased in EMEA. Orders received increased in Energy and Environmental, remained at the previous year's level in Fabrics, Mill improvements and Rolls, and decreased in Performance Parts.

During the first half of the year, orders received by the Services business line increased 7 percent to EUR 676 million (EUR 634 million) and accounted for 38 percent of all orders received (42%). Orders received increased in China, Asia-Pacific and EMEA, and remained at the previous year's level in North America and South America.

In April–June, net sales for the Services business line amounted to EUR 302 million (EUR 304 million), corresponding to 38 percent of Valmet's net sales (38%).

During the first half of the year, net sales for the Services business line amounted to EUR 554 million (EUR 561 million), corresponding to 38 percent of Valmet's net sales (39%).

Automation – orders received increased and net sales remained at the previous year's level in Q2/2017

Automation business line	Q2/2017	Q2/2016	Change	Q1–Q2/ 2017	Q1–Q2/ 2016	Change
Orders received (EUR million)	**91**	82	12%	**163**	148	10%
Net sales (EUR million)	**73**	73	-1%	**132**	131	1%
Personnel (end of period)				**1,698**	1,649	3%

In April–June, orders received by the Automation business line increased 12 percent to EUR 91 million (EUR 82 million) and accounted for 11 percent of all orders received (12%). Orders received increased in China, North America and Asia-Pacific, and decreased in South America and EMEA. Orders received increased in Pulp and Paper and decreased in Energy and Process.

During the first half of the year, orders received by the Automation business line increased 10 percent to EUR 163 million (EUR 148 million) and accounted for 9 percent of all orders received (10%). Orders received increased in China and North America, remained at the previous year's level in EMEA and South America, and decreased in Asia-Pacific. Orders received increased in Pulp and Paper and remained at the previous year's level in Energy and Process.

In April–June, net sales for the Automation business line amounted to EUR 73 million (EUR 73 million), corresponding to 9 percent of Valmet's net sales (9%).

During the first half of the year, net sales for the Automation business line amounted to EUR 132 million (EUR 131 million), corresponding to 9 percent of Valmet's net sales (9%).

Pulp and Energy – orders received and net sales decreased in Q2/2017

Pulp and Energy business line	Q2/2017	Q2/2016	Change	Q1–Q2/ 2017	Q1–Q2/ 2016	Change
Orders received (EUR million)	**141**	180	-22%	**406**	417	-3%
Net sales (EUR million)	**245**	262	-7%	**449**	443	1%
Personnel (end of period)				**1,767**	1,749	1%

In April–June, orders received by the Pulp and Energy business line decreased 22 percent to EUR 141 million (EUR 180 million) and accounted for 18 percent of all orders received (26%). Orders received increased in Asia-Pacific and South America, and decreased in North America, China and EMEA. Orders received increased in Energy and decreased in Pulp.

During the first half of the year, orders received by the Pulp and Energy business line remained at the previous year's level at EUR 406 million (EUR 417 million) and accounted for 23 percent of all orders received (28%). Orders received increased in Asia-Pacific and North America, and decreased in South America, China and EMEA. Orders received increased in Energy and decreased in Pulp.

In April–June, net sales for the Pulp and Energy business line amounted to EUR 245 million (EUR 262 million), corresponding to 30 percent (33%) of Valmet's net sales.

During the first half of the year, net sales for the Pulp and Energy business line amounted to EUR 449 million (EUR 443 million), corresponding to 30 percent (30%) of Valmet's net sales.

Paper – orders received and net sales increased in Q2/2017

Paper business line	Q2/2017	Q2/2016	Change	Q1–Q2/ 2017	Q1–Q2/ 2016	Change
Orders received (EUR million)	**243**	109	>100%	**557**	295	88%
Net sales (EUR million)	**184**	165	12%	**340**	321	6%
Personnel (end of period)				**2,829**	3,026	-7%

In April–June, orders received by the Paper business line more than doubled to EUR 243 million (EUR 109 million) and accounted for 31 percent of all orders received (16%). Orders received increased in China, South America and EMEA, and decreased in Asia-Pacific and North America. Orders received increased in both Tissue, and Board and Paper.

During the first half of the year, orders received by the Paper business line increased 88 percent to EUR 557 million (EUR 295 million) and accounted for 31 percent of all orders received (20%). Orders received increased in China, North America and EMEA, and decreased in South America and Asia-Pacific. Orders received increased in both Tissue, and Board and Paper.

In April–June, net sales for the Paper business line amounted to EUR 184 million (EUR 165 million), corresponding to 23 percent (20%) of Valmet's net sales.

During the first half of the year, net sales for the Paper business line amounted to EUR 340 million (EUR 321 million), corresponding to 23 percent (22%) of Valmet's net sales.

Cash flow and financing

Cash flow provided by operating activities amounted to EUR 31 million (EUR 33 million) in April–June and EUR 125 million (EUR 36 million) in the first half of the year. Net working capital was EUR -313 million (EUR -181 million) at the end of June 2017. Change in net working capital in the statement of cash flows was EUR -46 million (EUR -16 million) in April–June and EUR 24 million (EUR -57 million) in the first half of the year. In the statement of cash flows, change in net working capital in January–June 2017 excludes the impact of changes in foreign exchange rates amounting to EUR -6 million. Payment schedules of large capital projects have significant impact on net working capital development. Cash flow after investments was EUR 15 million (EUR 16 million) in April–June and EUR 95 million (EUR 8 million) in the first half of the year.

At the end of June, gearing was 4 percent (27%) and equity to assets ratio was 38 percent (36%). Interest-bearing liabilities were EUR 277 million (EUR 351 million) and net interest-bearing liabilities totaled to EUR 31 million (EUR 231 million) at the end of the reporting period. The average maturity for Valmet's non-current debt was 3.7 years, and average interest rate was 1.3 percent.

Valmet's liquidity was strong at the end of the reporting period, with cash and cash equivalents amounting to EUR 206 million (EUR 103 million) and interest-bearing available-for-sale financial assets totaling to EUR 23 million (EUR 1 million). Valmet's liquidity was additionally secured by a committed revolving credit facility, worth of EUR 200 million, which matures in 2022 with two 1-year extension options and an uncommitted commercial paper program worth of EUR 200 million. Both facilities were undrawn at the end of June.

On April 6, 2017, Valmet paid out dividends of EUR 63 million.

Investments excluding acquisitions decreased

Gross capital expenditure in April–June was EUR 15 million (EUR 18 million), of which maintenance investments were EUR 11 million (EUR 11 million).

Gross capital expenditure in the first half of the year was EUR 30 million (EUR 29 million), of which maintenance investments were EUR 20 million (EUR 21 million).

Acquisitions and disposals

Acquisitions

Valmet made no acquisitions during the six-month period ended June 30, 2017.

Disposals

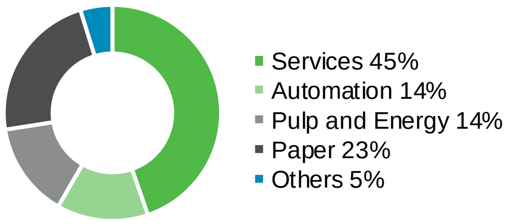
Valmet made no disposals during the six-month period ended June 30, 2017.

Number of personnel remained at the previous year's level

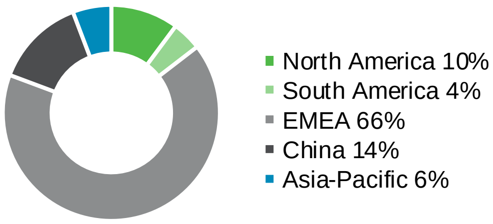
Personnel by business line	**As at June 30, 2017**	As at June 30, 2016	Change	As at March 31, 2017
Services	**5,569**	5,523	1%	5,352
Automation	**1,698**	1,649	3%	1,633
Pulp and Energy	**1,767**	1,749	1%	1,697
Paper	**2,829**	3,026	-7%	2,795
Other	**595**	545	9%	574
Total (end of period)	**12,458**	12,492	0%	12,051

Personnel by area	**As at June 30, 2017**	As at June 30, 2016	Change	As at March 31, 2017
North America	**1,262**	1,334	-5%	1,270
South America	**547**	536	2%	545
EMEA	**8,246**	8,006	3%	7,842
China	**1,685**	1,887	-11%	1,700
Asia-Pacific	**718**	729	-2%	694
Total (end of period)	**12,458**	12,492	0%	12,051

Personnel by business line, as at June 30, 2017



Personnel by area, as at June 30, 2017



In January–June, Valmet employed an average of 12,139 people (12,328). The number of personnel at the end of June was 12,458 (12,492). In January–June, personnel expenses totaled to EUR 418 million (EUR 407 million) of which wages, salaries and remuneration equaled to EUR 324 million (EUR 314 million).

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 renew and 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. In June 2017, the Board of Directors reconfirmed Valmet's strategy and financial targets. Valmet has the following financial targets:

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: 8–10%
- Comparable return on capital employed (pre-tax), ROCE: 15–20%
- Dividend payout at least 50% of net profit

Stable business means Services and Automation business lines. Capital business means Paper, and Pulp and Energy business lines.

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' – 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 increasingly 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. 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. Additionally, Valmet is currently modernizing its ERP system. Once implemented, the new system will increase efficiency.

Progress in sustainability

During the first half of 2017, Valmet progressed with the actions defined in its Sustainability360˚ agenda. Valmet continued to implement the global processes to ensure its suppliers operate in a sustainable manner. By the end of June 2017, Valmet together with an authorized third party had conducted 26 sustainability audits, in India, Thailand, China, Brazil, Chile, Poland and Estonia. Valmet has the target to conduct at least 50 supplier sustainability audits globally every year.

Valmet's lost time incident frequency rate (LTIF) of own employees remained steady and was 2.5 at the end of June (2.8 at the end of June 2016). Our total recordable incident frequency rate (TRIF) of own employees continued to decrease and was 5.5 at the end of June (7.8 at the end of June 2016). Valmet's collaborating for contractor safety improvement program continues.

In the first half of 2017, a Talent Review process was conducted to identify the successor pool for key positions within the company, to assess managerial capability and potential, and to ensure we are developing our high potentials in the best possible way. Development actions for each of the groups are tracked throughout the year. In May, 2,000 Valmet employees joined the 100 days Global Challenge, which is a global workplace health and engagement program.

As a global company, Valmet recognizes its responsibility to respect human rights and requires its business partners to do the same. In the second quarter of 2017, Valmet continued to develop a comprehensive framework to respect human rights in its value chain, and published also a statement to promote its commitment and respect to human rights.

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 announced by stock exchange release on September 16, 2016, that Suzano Papel e Celulose S.A. has filed a request for arbitration against Valmet Celulose, Papel e Energia Ltda, Valmet AB and Valmet Technologies Oy, subsidiaries of Valmet Oyj, claiming approximately EUR 80 million. The arbitration relates to separate Equipment Sales Agreements for the Suzano Imperatriz pulp mill project in Brazil. Valmet disputes the claims brought by Suzano and has also actively pursued claims of its own against Suzano for breach by Suzano of its obligations under the Agreements.

Valmet announced by stock exchange release 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 to Board of Adjustment of the Finnish tax authority.

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. Valmet is also a plaintiff in several lawsuits.

Corporate Governance Statement

Valmet has prepared a separate Corporate Governance Statement for 2016 which complies with the recommendations of the Finnish Corporate Governance Code for listed companies. It also covers other central areas of corporate governance. The statement has 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 and number of shares

At the end of June 2017, Valmet Oyj's (the Company) share capital totaled to EUR 100,000,000 and the number of shares was 149,864,619. At the end of June, Valmet held 399 treasury shares and the number of outstanding shares was 149,864,220.

Treasury shares and Board authorizations

Valmet Oyj's Annual General Meeting on March 23, 2017 authorized Valmet's Board of Directors to decide on the repurchase of 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). 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 main list of Nasdaq Helsinki's stock exchange 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. The Board of Directors resolves 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% 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 pursuant to the preceding paragraphs.

The Board of Directors may resolve 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 Company 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.

As at June 30, 2017, Valmet's Board of Directors has not used any of the authorizations. The authorizations shall remain in force until the next Annual General Meeting, and they cancel the Annual General Meeting's authorizations of March 23, 2016.

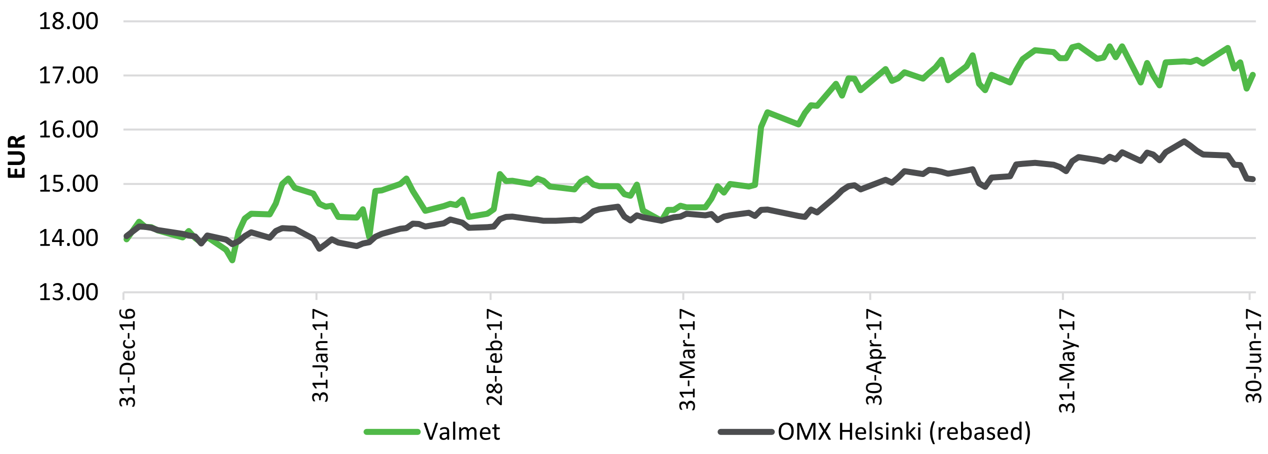
Trading in shares

The closing price of Valmet's share on the final day of trading for the reporting period, June 30, 2017, was EUR 17.01. The closing share price on the last day of trading in 2016 (December 30, 2016) was EUR 13.98. The share price increased by some 22 percent during the reporting period. The highest price for the share during the reporting period was EUR 17.86, the lowest was EUR 13.45 and the volume-weighted average price was EUR 15.80. The number of shares traded on Nasdaq Helsinki Ltd during January–June was approximately 46 million. The value of trading was approximately EUR 732 million. (Source: Nasdaq)

In addition to Nasdaq Helsinki Ltd, Valmet's shares are also traded on other marketplaces, such as Bats CXE and Turquoise. A total of approximately 29 million of Valmet's shares were traded on alternative marketplaces in January–June, which equals to approximately 39 percent of the share's total trade volume. (Source: Bats CXE, Bats BXE, Turquoise, Fidessa)

Market capitalization (excluding treasury shares) stood at EUR 2,549 million at the end of the reporting period.

Development of Valmet's share price, December 31, 2016 – June 30, 2017



Number of shareholders

The number of registered shareholders at the end of June 2017 was 44,952 (46,499). Shares owned by nominee-registered and non-Finnish parties equaled to 50.4 percent of the total number of shares at the end of June 2017 (47.8%).

Flagging notifications

Valmet received no flagging notifications during the six-month period ended June 30, 2017.

Share-based incentive plans

Valmet’s share-based incentive plans are part of the remuneration and retention program for Valmet’s management. The aim of the plans is to align the objectives of shareholders and management to increase the value of the Company, commit management to the Company, and offer management a competitive reward plan based on long-term shareholding in Valmet.

Valmet has entered into an agreement with a third-party service provider concerning the administration of the share-based incentive programs for key personnel. At the end of the reporting period, the number of shares held within the administration plan was 198,768.

Long-term incentive plan 2012–2014

In December 2011, a share-based incentive plan including three performance periods, which were the calendar years 2012, 2013 and 2014, was approved. The reward for the 2012 performance period was paid during 2015. For the 2013 performance period, the performance criteria were not met and therefore no rewards were paid for the 2013 performance period. From the performance period 2014 a gross number of 262,980 shares were earned. The reward was paid partly as Company shares and partly in cash in March 2017.

Long-term incentive plan 2015–2017

The Board of Directors of Valmet Oyj approved in December 2014 a new share-based incentive plan for Valmet’s key employees. The Plan includes three discretionary periods, which are the calendar years 2015, 2016 and 2017. The Board of Directors shall decide on the performance criteria and targets in the beginning of each discretionary period. The Plan is directed to approximately 80 key people.

The reward of the plan for the discretionary period 2015 was based on EBITA % and Services orders received growth %. The reward was paid partly as Company shares and partly in cash in 2016. As part of the plan, members of Valmet’s Executive Team had the possibility to receive a matching share reward for the discretionary period 2015 provided that the Executive Team Member owned or acquired Valmet shares up to a number determined by the Board of Directors by December 31, 2015. The reward paid on the basis of the discretionary period 2015 corresponded to a total of 540,035 shares, including the matching share rewards.

The reward of the plan for the discretionary period 2016 was based on Comparable EBITA % and orders received growth % of the stable business, that is, the Services and Automation business lines. The reward was paid partly as Valmet shares and partly in cash in March 2017. As part of the share-based incentive program members of the Valmet Executive Team had the possibility to receive a matching share reward for the discretionary period 2016 provided that the Executive Team member owned or acquired Valmet shares up to a number determined by the Board of Directors by December 31, 2016. The reward paid on the basis of the discretionary period 2016 corresponded to a total of 556,049 shares, including the matching share rewards.

The Board of Directors of Valmet decided in December 2016 to continue the share based incentive program approved in December 2014 for Valmet's key employees. The potential reward of the program from the discretionary period 2017 is based on Comparable EBITA % and orders received growth % of the stable business, that is, the Services and Automation business lines. The potential reward of the plan from the discretionary period 2017 will be paid partly as Valmet shares and partly in cash in 2018. The rewards to be paid on the basis of the plan are in total an approximate maximum of 550,000 shares in Valmet.

As part of the share based incentive program, members of the Valmet Executive Team have a possibility to receive a matching share reward for the discretionary period 2017 provided that the Executive Team member owns or acquires Valmet shares up to a number determined by the Board of Directors by December 31, 2017.

The shares to be transferred as part of the possible reward payments are obtained in public trading, ensuring that the incentive plan will not have a diluting effect on Valmet's share value.

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

Resolutions of Valmet's Annual General Meeting

The Annual General Meeting of Valmet Oyj was held in Helsinki on March 23, 2017. The Annual General Meeting adopted the Financial Statements for 2016 and discharged the members of the Board of Directors and the President and CEO from liability for the 2016 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 confirmed the number of Board members as seven and appointed Bo Risberg as Chairman of Valmet Oyj's Board and Jouko Karvinen as Vice Chairman. Eriikka Söderström was appointed as a new member of the Board. Lone Fønss Schrøder, Rogério Ziviani, Aaro Cantell and Tarja Tyni continue as members of the Board. The term of office of the members of the Board of Directors expires at the end of the next Annual General Meeting.

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 stock exchange releases on March 23, 2017 concerning the resolutions of the Annual General Meeting and the composition of the Board of Directors. The stock exchange releases and a presentation of the Board's members can be viewed on Valmet's website at www.valmet.com/agm.

In compliance with the resolution of the Annual General Meeting on March 23, 2017, Valmet paid out dividends of EUR 63 million for 2016, corresponding to EUR 0.42 per share, on April 6, 2017.

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 a 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 critically affect especially 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 are 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 on 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 players in the markets. Valmet can safeguard its market position by developing its products and services, and through good customer service and a local presence.

Availability of financing crucial

Securing the continuity of Valmet's operations requires that sufficient funding is available 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 for Valmet's non-current debt 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 our financing. Valmet 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.

At the end of June 2017, Valmet had EUR 618 million (EUR 622 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 Annual Report.

Events after the reporting period

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

Valmet reiterates its guidance for 2017

Valmet reiterates its guidance presented on April 12, 2017, in which Valmet estimates that net sales in 2017 will increase in comparison with 2016 (EUR 2,926 million) and Comparable EBITA in 2017 will increase in comparison with 2016 (EUR 196 million).

Short-term outlook

General economic outlook

The mood in the global economy has brightened during the past year, with confidence indicators and industrial production increasing, and investment and trade improving in most economies. Global growth is projected to rise modestly from 3 percent in 2016 to just over 3.5 percent by 2018. However, financial stability risks persist and could affect the modest recovery. Geopolitical shocks and trade protectionism could catalyze snap-backs in asset prices and realize downside risks through a variety of channels. Current market expectations imply a rising divergence in short-term interest rates between the major advanced economies in the coming years. This creates risk of sharp exchange rate movements, or other instabilities in financial markets. (OECD Economic Outlook, June 7, 2017)

Short-term market outlook

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

In Espoo on July 27, 2017

Valmet's Board of Directors

Consolidated Statement of Income

EUR million	Q2/2017	Q2/2016	Q1–Q2/ 2017	Q1–Q2/ 2016
Net sales	**803**	804	**1,475**	1,456
Cost of goods sold	**-622**	-621	**-1,137**	-1,124
Gross profit	**181**	183	**337**	332
Selling, general and administrative expenses	**-136**	-133	**-263**	-263
Other operating income and expenses, net	**3**	-3	**3**	-3
Share in profits and losses of associated companies, operative investments	**-**	-	**-**	-
Operating profit	**48**	47	**77**	66
Financial income and expenses, net	**-3**	-3	**-6**	-6
Share in profits and losses of associated companies, financial investments	**1**	-	**1**	-
Profit before taxes	**45**	44	**72**	60
Income taxes	**-12**	-13	**-20**	-18
Profit / loss	**33**	31	**52**	43
Attributable to:				
Owners of the parent	**33**	31	**51**	42
Non-controlling interests	**-**	-	**-**	1
Profit / loss	**33**	31	**52**	43
Earnings per share attributable to owners of the parent:				
Earnings per share, EUR	**0.22**	0.21	**0.34**	0.28
Diluted earnings per share, EUR	**0.22**	0.21	**0.34**	0.28

Consolidated Statement of Comprehensive Income

EUR million	Q2/2017	Q2/2016	Q1–Q2/ 2017	Q1–Q2/ 2016
Profit / loss	**33**	31	**52**	43
Items that may be reclassified to profit or loss in subsequent periods:				
Cash flow hedges	**8**	-3	**13**	-1
Currency translation on subsidiary net investments	**-15**	-	**-13**	-7
Income tax relating to items that may be reclassified	**-2**	1	**-3**	-
	-9	-2	**-3**	-7
Items that will not be reclassified to profit or loss:				
Remeasurement of defined benefit plans	**9**	-7	**9**	-6
Income tax on items that will not be reclassified	**-2**	7	**-2**	6
	7	-	**7**	1
Other comprehensive income / expense	**-2**	-2	**4**	-7
Total comprehensive income / expense	**31**	29	**55**	36
Attributable to:				
Owners of the parent	**31**	29	**55**	36
Non-controlling interests	**-**	-	**-**	-
Total comprehensive income / expense	**31**	29	**55**	36

Consolidated Statement of Financial Position

Assets

EUR million	As at June 30, 2017	As at June 30, 2016	As at December 31, 2016
Non-current assets			
Intangible assets			
Goodwill	**618**	622	624
Other intangible assets	**204**	224	213
Total intangible assets	**823**	846	837
Property, plant and equipment			
Land and water areas	**26**	26	26
Buildings and structures	**125**	134	133
Machinery and equipment	**171**	188	183
Assets under construction	**39**	29	32
Total property, plant and equipment	**361**	376	374
Financial and other non-current assets			
Investments in associated companies	**13**	12	12
Non-current financial assets	**22**	21	22
Deferred tax asset	**74**	90	80
Non-current income tax receivables	**26**	-	24
Other non-current assets	**14**	9	12
Total financial and other non-current assets	**149**	132	151
Total non-current assets	**1,333**	1,354	1,362
Current assets			
Inventories			
Materials and supplies	**62**	75	66
Work in progress	**349**	363	322
Finished products	**82**	86	83
Total inventories	**493**	525	471
Receivables			
Trade and other receivables	**683**	606	646
Amounts due from customers under construction contracts	**252**	255	197
Other current financial assets	**43**	10	17
Income tax receivables	**28**	23	25
Total receivables	**1,006**	893	885
Cash and cash equivalents	**206**	103	240
Total current assets	**1,705**	1,520	1,596
Total assets	**3,038**	2,874	2,958

Consolidated Statement of Financial Position

Equity and liabilities

EUR million	As at June 30, 2017	As at June 30, 2016	As at December 31, 2016
Equity			
Share capital	**100**	100	100
Reserve for invested unrestricted equity	**413**	407	407
Cumulative translation adjustments	**-2**	12	11
Fair value and other reserves	**7**	-5	-3
Retained earnings	**354**	323	366
Equity attributable to owners of the parent	**872**	837	881
Non-controlling interests	**5**	6	5
Total equity	**877**	843	886
Liabilities			
Non-current liabilities			
Non-current debt	**230**	276	262
Post-employment benefits	**143**	150	151
Provisions	**18**	8	20
Other non-current financial liabilities	**3**	5	6
Deferred tax liability	**61**	70	62
Total non-current liabilities	**455**	509	501
Current liabilities			
Current portion of non-current debt	**47**	55	48
Current debt	**-**	20	-
Trade and other payables	**797**	785	754
Provisions	**93**	95	108
Advances received	**286**	224	245
Amounts due to customers under construction contracts	**427**	298	332
Other current financial liabilities	**11**	21	23
Income tax liabilities	**45**	25	61
Total current liabilities	**1,706**	1,522	1,572
Total liabilities	**2,161**	2,032	2,073
Total equity and liabilities	**3,038**	2,874	2,958

Condensed Consolidated Statement of Cash Flows

EUR million	Q2/2017	Q2/2016	Q1–Q2/ 2017	Q1–Q2/ 2016
Cash flows from operating activities				
Profit / loss	**33**	31	**52**	43
Adjustments				
Depreciation and amortization	**20**	21	**41**	45
Financial income and expenses	**3**	3	**6**	6
Income taxes	**12**	13	**20**	18
Other non-cash items	**25**	-6	**28**	1
Change in net working capital	**-46**	-16	**24**	-57
Net interests and dividends received	**-1**	-1	**-4**	-4
Income taxes paid[1]	**-16**	-13	**-42**	-16
Net cash provided by (+) / used in (-) operating activities	**31**	33	**125**	36
Cash flows from investing activities				
Capital expenditure on fixed assets	**-15**	-18	**-30**	-29
Proceeds from sale of fixed assets	**-**	-	**-**	-
Net cash provided by (+) / used in (-) investing activities	**-15**	-17	**-29**	-28
Cash flows from financing activities				
Redemption of own shares	**-**	-	**-2**	-2
Dividends paid	**-63**	-52	**-63**	-52
Net borrowings (+) / payments (-) on current and non-current debt	**-**	-20	**-32**	-20
Net investments in available-for-sale financial assets	**-10**	3	**-23**	9
Net cash provided by (+) / used in (-) financing activities	**-73**	-70	**-120**	-66
Net increase (+) / decrease (-) in cash and cash equivalents	**-58**	-54	**-25**	-58
Effect of changes in exchange rates on cash and cash equivalents	**-10**	-2	**-9**	-4
Cash and cash equivalents at beginning of period	**274**	159	**240**	165
Cash and cash equivalents at end of period	**206**	103	**206**	103

[1] *During Q1/2017 Valmet has paid additional taxes, late payment interests and penalties in total of EUR 19 million related to the reassessment decision from the Finnish tax authority.*

Consolidated Statement of Changes in Equity

EUR million	Share capital	Reserve for invested unrestricted equity	Cumulative translation adjustments	Fair value and other reserves	Retained earnings	**Equity attributable to owners of the parent**	Non-controlling interests	**Total equity**
Balance at January 1, 2017	**100**	**407**	**11**	**-3**	**366**	**881**	**5**	**886**
Profit / loss	-	-	-	-	51	**51**	-	**52**
Other comprehensive income / expense	-	-	-13	10	7	**4**	-	**4**
Total comprehensive income / expense	-	-	-13	10	58	**55**	-	**55**
Dividends	-	-	-	-	-63	**-63**	-	**-63**
Purchase of treasury shares	-	-	-	-	-2	**-2**	-	**-2**
Share-based payments, net of tax	-	6	-	-	-5	**1**	-	**1**
Balance at June 30, 2017	**100**	**413**	**-2**	**7**	**354**	**872**	**5**	**877**
Balance at January 1, 2016	100	404	18	-4	336	855	6	860
Profit / loss	-	-	-	-	42	42	1	43
Other comprehensive income / expense	-	-	-7	-1	1	-6	-	-7
Total comprehensive income / expense	-	-	-7	-1	43	36	-	36
Dividends	-	-	-	-	-52	-52	-	-52
Purchase of treasury shares	-	-	-	-	-2	-2	-	-2
Share-based payments, net of tax	-	3	-	-	-2	1	-	1
Balance at June 30, 2016	100	407	12	-5	323	837	6	843

Accounting policies

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 process technologies, automation and services for the pulp, paper and energy industries.

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

These Condensed Consolidated Interim Financial Statements were approved for issue on July 27, 2017.

Basis of presentation

These Condensed Consolidated Interim Financial Statements for the six months ended June 30, 2017 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. The Condensed Consolidated Interim Financial Statements should be read in conjunction with the Group's Annual Consolidated Financial Statements for the year ended December 31, 2016, which have been prepared in accordance with IFRS.

Since January 1, 2017, the Group has adopted new standards and interpretations into its accounting and reporting, including but not limited to, amendments to IAS 12 'Income taxes' and IAS 7 'Cash flow statements'. These amendments did not however, have a material impact on the results or financial position of Valmet Group or the presentation of the Interim Financial Statements.

Setting aside new pronouncements, 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, 2016.

In the 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.

New accounting standards

IFRS 15 – Revenue from contracts with customers

Starting January 1, 2018, Valmet will adopt IFRS 15, 'Revenue from contracts with customers'. In the expectation of adopting the new standard governing revenue recognition, Valmet management has decided to no longer use the milestone method as the preferred method for measuring progress in contracts where revenue is recognized in proportion to the stage of completion of contract activity. As of January 1, 2017, the cost-to-cost method is used as Valmet's primary method for measuring progress of contract activity. Management estimates that for some contracts this change will defer revenue recognition in the beginning of the project. This is however, not expected to have a significant impact on the amount of gross profit recognized in any interim reporting period.

Update to information provided in the year-end 2016 annual financial statements on the impact of the implementation of the key concepts of IFRS 15 is provided below.

Identification of performance obligations

In long-term capital projects, involving delivery of both equipment and services, Valmet management expects to identify one or more performance obligations under the new standard. The identification of performance obligations depends on the scope of the project and terms of the contract and will largely follow the level at which quotes are being requested by the customers on capital projects.

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

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

Recognition of revenue

Under IFRS 15, revenue is recognized when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service, either over time or at a point in time.

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

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

In customer contracts where revenue is currently recognized upon transfer of risks and rewards associated with the deliverable to the customer, Valmet management does not expect to see a significant change in the amount of revenue or gross profit recognized in any interim reporting period when moving into recognizing revenue upon transfer of control.

Recognition of revenue at a point in time is applicable, among others, in contracts where services are performed at Valmet's premises and deliveries of spare-parts and components.

Other steps of the revenue recognition model

Valmet management does not expect the new guidance on identification of customer contract or allocation of the transaction price to the performance obligations identified in the contract to affect the amount or timing of revenue and cost recognition. However, Valmet's contracts often involve elements of variable consideration and management estimates that the reassessment of the transaction prices at each reporting date, requiring significant amount of judgment, could affect the timing of revenue recognition following the adoption of the new standard.

Valmet management has selected the full retrospective restatement approach when adopting the new revenue guidance as of January 1, 2018. The cumulative effect of applying IFRS 15 will therefore be recognized in retained earnings as at January 1, 2017. Management is in process of preparing a quantification of the impact of the new standard as at the transition.

Key exchange rates

		Average rates		**Period-end rates**	
		Q1–Q2/ 2017	Q1–Q2/ 2016	**Q2/2017**	Q2/2016
USD	(US dollar)	**1.0878**	1.1106	**1.1412**	1.1102
SEK	(Swedish krona)	**9.5900**	9.2813	**9.6398**	9.4242
BRL	(Brazilian real)	**3.4750**	4.1066	**3.7600**	3.5898
CNY	(Chinese yuan)	**7.4685**	7.2621	**7.7385**	7.3755

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 offering and joint customer projects. Thus, the operations and profitability of Valmet is reported on 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 EBITA (Earnings before interest, taxes and amortization). The performance is also assessed through Comparable EBITA, i.e. with EBITA excluding items, such as capacity adjustment costs, impairment of assets, and other infrequent events, as these reduce the comparability of the Group's performance from one period to another.

EUR million	**Q2/2017**	Q2/2016	**Q1–Q2/ 2017**	Q1–Q2/ 2016
Net sales	**803**	804	**1,475**	1,456
Comparable EBITA	**57**	57	**91**	88
% of net sales	**7.1%**	7.1%	**6.2%**	6.1%
Operating profit	**48**	47	**77**	66
% of net sales	**6.0%**	5.8%	**5.2%**	4.5%
Amortization	**-8**	-9	**-16**	-19
Depreciation	**-12**	-13	**-25**	-26
Gross capital expenditure	**-15**	-18	**-30**	-29
Non-cash write-downs	**-1**	-	**-2**	-2
Capital employed, end of period			**1,154**	1,194
Orders received	**796**	692	**1,802**	1,495
Order backlog, end of period			**2,551**	2,106

Reconciliation between Comparable EBITA, EBITA and operating profit

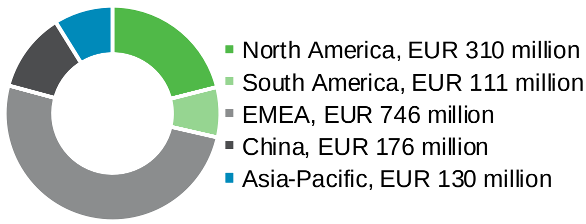
EUR million	Q1–Q2/2017	Q1–Q2/2016	2016
Comparable EBITA	**91**	88	196
Items affecting comparability in cost of sales			
Expenses related to capacity adjustments	**-1**	-1	-8
Other items affecting comparability	**-**	-	-
Items affecting comparability in selling, general and administrative expenses			
Expenses related to capacity adjustments	**-**	-1	-1
Other items affecting comparability	**-**	-	-
Items affecting comparability in other operating income and expenses			
Expenses related to capacity adjustments	**-**	-1	-4
Other items affecting comparability	**3**	-	-
EBITA	**93**	85	183
Amortization included in cost of sales			
Other intangibles	**-1**	-1	-2
Amortization included in selling, general and administrative expenses			
Intangibles recognized in business combinations	**-11**	-15	-26
Other intangibles	**-4**	-4	-8
Operating profit	**77**	66	147

Entity-wide information

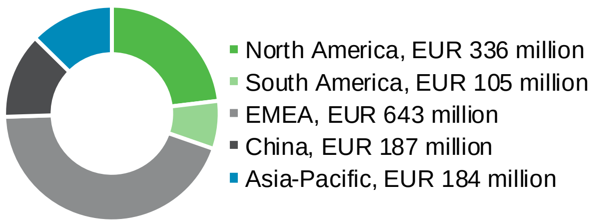
Valmet's businesses are present in over 35 countries and on all continents. The main market areas are Europe and North America accounting for 70 percent of net sales in Q1–Q2/2017 and 64 percent in Q1–Q2/2016.

Net sales to unaffiliated customers by destination:

Q1–Q2/2017: EUR 1,475 million



Q1–Q2/2016: EUR 1,456 million



Gross capital expenditure by location:

EUR million	North America	South America	EMEA	China	Asia-Pacific	Total
Q1–Q2/2017	**1**	**1**	**21**	**4**	**3**	**30**
Q1–Q2/2016	1	2	20	3	3	29

Analysis of net sales by category:

EUR million	Q1–Q2/2017	Q1–Q2/2016
Sale of services and automation	**686**	691
Sale of projects, equipment and goods	**789**	765
Total	**1,475**	1,456

Intangible assets and property, plant and equipment

Intangible assets

EUR million	Q1–Q2/2017	Q1–Q2/2016	2016
Carrying value at beginning of period	**837**	859	859
Capital expenditure	**7**	9	15
Acquired in business combinations	**-**	1	1
Amortization	**-16**	-19	-35
Impairment losses	**-**	-	-1
Translation differences and other changes	**-6**	-4	-2
Carrying value at end of period	**823**	846	837

Property, plant and equipment

EUR million	Q1–Q2/2017	Q1–Q2/2016	2016
Carrying value at beginning of period	**374**	385	385
Capital expenditure	**22**	19	45
Acquired in business combinations	**-**	-	-
Depreciation	**-25**	-26	-51
Impairment losses	**-**	-	-2
Translation differences and other changes	**-10**	-3	-3
Carrying value at end of period	**361**	376	374

Financial instruments

Derivative financial instruments

As at June 30, 2017	**Notional amount**	**Fair value, assets**	**Fair value, liabilities**	**Fair value, net**
Forward exchange contracts, EUR million	**1,669**	**22**	**12**	**11**
Interest rate swaps, EUR million	**30**	**-**	**1**	**-1**
Electricity forward contracts[1]	**132**	**-**	**1**	**-1**
Nickel forward contracts[2]	**30**	**-**	**-**	**-**

As at June 30, 2016	Notional amount	Fair value, assets	Fair value, liabilities	Fair value, net
Forward exchange contracts, EUR million	1,647	10	21	-11
Interest rate swaps, EUR million	30	-	2	-2
Electricity forward contracts[1]	161	-	2	-2

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

[2] *Notional amount in 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 June 30, 2017**	As at June 30, 2016	As at December 31, 2016
Non-current financial assets			
Interest-bearing	**17**	17	17
Non-interest-bearing	**6**	4	5
Total	**22**	21	22

EUR million	**As at June 30, 2017**	As at June 30, 2016	As at December 31, 2016
Other current financial assets			
Interest-bearing	**23**	1	1
Non-interest-bearing	**20**	9	16
Total	**43**	10	17

Setting aside non-current debt, current portion of non-current debt and current debt, the Group does not carry other interest-bearing liabilities.

Provisions

EUR million	Q1–Q2/2017	Q1–Q2/2016	2016
Balance at beginning of period	**128**	108	108
Effect of change in classification[1]	**-**	-	35
Translation differences	**-2**	-	1
Addition charged to profit / loss	**34**	39	96
Used reserve	**-31**	-31	-86
Reversal of reserve / other changes	**-17**	-13	-25
Balance at end of period	**111**	103	128
Non-current	**18**	8	20
Current	**93**	95	108

[1] Quantification of the impact of the change in classification in comparative period Q1–Q2/2016 has been impracticable.

Movements in provisions in full financial year 2016 included opening balance adjustment of EUR 35 million consisting of reclassification of warranty and guarantee provisions for ongoing projects previously presented as part of accrued project costs into provision.

Contingencies and commitments

EUR million	As at June 30, 2017	As at June 30, 2016	As at December 31, 2016
Guarantees on behalf of Valmet Group	**856**	802	853
Lease commitments	**61**	50	51

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.

On September 16, 2016, Valmet announced by stock exchange release of arbitration proceedings initiated by Suzano Papel e Celulose S.A. (Suzano) against three Valmet legal entities related to the construction of a green field pulp mill in Imperatriz, Brazil, claiming approximately EUR 80 million. In Q2/2017, a payment of EUR 23 million was released by the bank to Suzano from on-demand performance bonds provided by Valmet as performance security. Valmet management disputes any liability arising from its contractual obligations and is in process of claiming back the full amount. As at June 30, 2017, it is considered that it is more likely that no present obligation exists than that it would exist related to claims put forward by Suzano, and consequently, no provision has been recognized for the arbitration in these Interim Financial Statements. Management has determined not to disclose any further information on the case on the grounds that it can be expected to seriously prejudice the ongoing legal procedures.

As at June 30, 2017, Valmet entities are subject to tax audits in several jurisdictions. Liabilities and assets are recognized with respect to income tax amounts management is expecting to pay and recover, respectively. No liability is recognized when it is considered probable that items reported to tax authorities can be sustained on examination. Complex and constantly changing regulations in multiple jurisdictions where Valmet operates create uncertainties relating to tax obligations towards authorities. Changes in the tax authorities' interpretations could have unfavorable impact on Valmet's financials.

Key ratios

	Q1–Q2/2017	Q1–Q2/2016
Earnings per share, EUR	**0.34**	0.28
Diluted earnings per share, EUR	**0.34**	0.28
Equity per share at end of period, EUR	**5.82**	5.58
Return on equity (ROE), % (annualized)	**12%**	10%
Return on capital employed (ROCE) before taxes, % (annualized)	**13%**	11%
Equity to assets ratio at end of period, %	**38%**	36%
Gearing at end of period, %	**4%**	27%
Cash flow provided by operating activities, EUR million	**125**	36
Cash flow after investments, EUR million	**95**	8
Gross capital expenditure, EUR million	**-30**	-29
Depreciation and amortization, EUR million	**-41**	-45
Depreciation	**-25**	-26
Amortization	**-16**	-19
Number of outstanding shares at end of period	**149,864,220**	149,864,220
Average number of outstanding shares	**149,864,220**	149,864,220
Average number of diluted shares	**149,864,220**	149,864,220
Interest-bearing liabilities at end of period, EUR million	**277**	351
Net interest-bearing liabilities at end of period, EUR million	**31**	231

Formulas for Calculation of Indicators

EBITA:
Operating profit + amortization

Comparable EBITA:
Operating profit + amortization - items affecting comparability

Earnings per share:

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

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):

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

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

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

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

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

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

Equity to assets ratio, %:

$$\frac{\text{Total equity}}{\text{Balance sheet total - advances received}} \times 100$$

Gearing, %:

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

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

Net working capital:
Other non-current assets + inventories + trade and other receivables
+ amounts due from customers under construction contracts + derivative financial instruments (assets)
- post-employment benefits - provisions - trade and other payables - advances received
- amounts due to customers under construction contracts - derivative financial instruments (liabilities)

Quarterly information

EUR million	Q2/2017	Q1/2017	Q4/2016	Q3/2016	Q2/2016
Net sales	**803**	671	785	685	804
Comparable EBITA	**57**	35	56	52	57
% of net sales	**7.1%**	5.1%	7.2%	7.5%	7.1%
Operating profit / loss	**48**	30	40	41	47
% of net sales	**6.0%**	4.4%	5.1%	6.0%	5.8%
Profit before taxes	**45**	26	38	38	44
% of net sales	**5.6%**	3.9%	4.8%	5.5%	5.5%
Profit / loss	**33**	18	14	26	31
% of net sales	**4.1%**	2.7%	1.8%	3.8%	3.9%
Earnings per share, EUR	**0.22**	0.12	0.10	0.17	0.21
Earnings per share, diluted, EUR	**0.22**	0.12	0.10	0.17	0.21
Amortization	**-8**	-8	-8	-8	-9
Depreciation	**-12**	-13	-13	-13	-13
Research and development expenses, net	**-17**	-14	-18	-14	-16
% of net sales	**-2.1%**	-2.2%	-2.3%	-2.0%	-2.0%
Items affecting comparability:					
in cost of goods sold	**-1**	-	-5	-2	-
in selling, general and administrative expenses	**-**	-	-	-	-
in other operating income and expenses, net	**-**	3	-3	-	-1
Total items affecting comparability	**-1**	3	-8	-2	-1
Gross capital expenditure	**-15**	-14	-17	-14	-18
Non-cash write-downs	**-1**	-1	-2	-2	-
Capital employed, end of period	**1,154**	1,122	1,195	1,167	1,194
Orders received	**796**	1,005	857	788	692
Order backlog, end of period	**2,551**	2,613	2,283	2,192	2,106

Valmet's financial reporting in 2017

October 24, 2017 - Interim Review for January - September 2017

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