

Valmet and Neles to merge creating a leading company with a unique offering for process industries globally

Merger update for investors and sell-side analysts

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Agenda

- 1 Creating a leading company with a unique offering for process industries
- 2 Pro forma financials and new financial targets for the combined company
- 3 EGM decisions and next steps
- 4 Q&A



Creating a leading company with a unique offering for process industries

Creating a leading company with a unique offering for process industries

Process technologies



Board and Paper

Market position
#1



Pulp and Energy

Market position
#1-3

Services



Market position
#1-2

Automation



Flow Control

Strong positions in

- Control valves and demanding on/off valves
- Process industry segments including pulp and paper



Systems

Market position in Pulp and Paper
#1-3

- Large recurring and stable business
- Solid platform to grow and develop all businesses
- Strong confidence and reputation among customers¹
- A winning team with a shared heritage and performance orientation

1) Based on global brand and customer satisfaction surveys

A strong financial profile and balanced business portfolio

Illustrative LTM key figures of the Combined Company after the merger

Orders received
EUR 4,754 million

Net sales
EUR 4,375 million

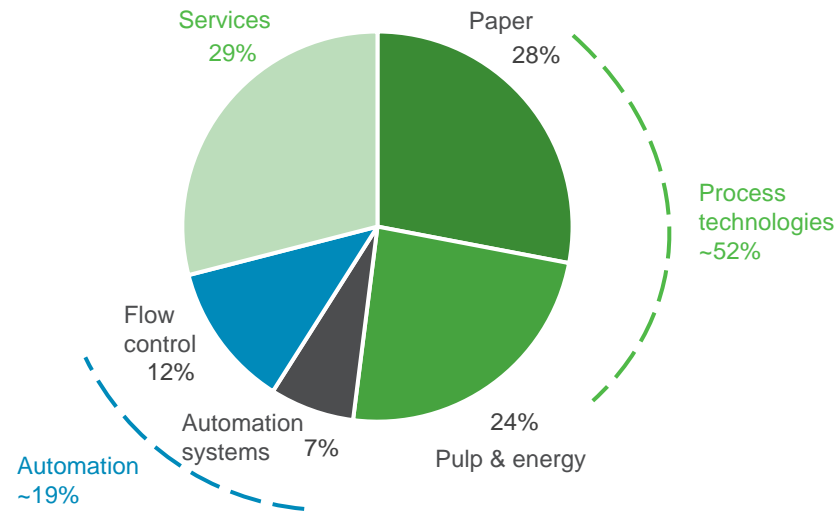
Comparable EBITA
EUR 492 million

Comparable EBITA margin
11.3%

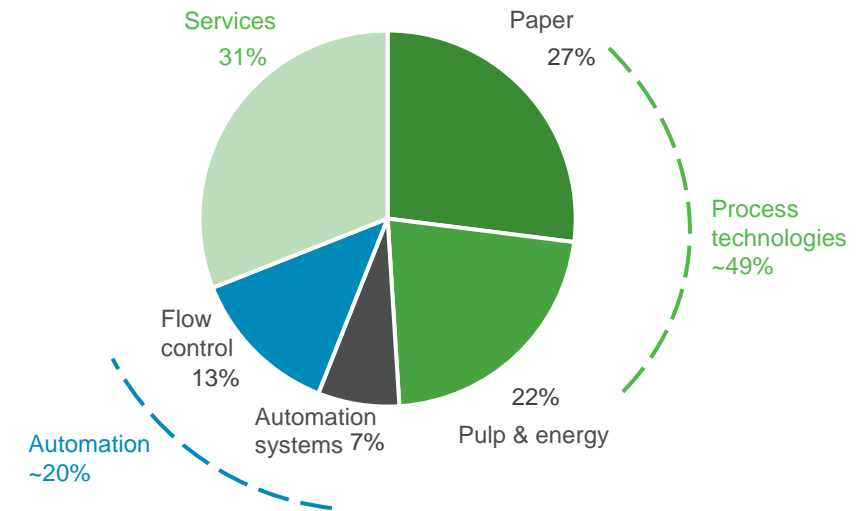
Order backlog
EUR 4,323 million

Employees
17,240

Orders received by segment



Net sales by segment



All figures are illustrative, based on combined company LTM figures. LTM=Last twelve months, Q3/20-Q2/21.

Strategic rationale of the merger



- 1 Unique, competitive and balanced total offering for process industries
- 2 Large recurring and stable business providing resilience to business cycles
- 3 Strong industrial logic from the combination of flow control and automation systems
- 4 Solid platform for further growth in flow control and automation systems
- 5 Revenue, technology development and cost synergy potential contributing to shareholder value creation
- 6 Valmet's track record in developing the integrated businesses

Unique, competitive and balanced total offering for process industries

Paper

- Board, paper and tissue production lines
- Rebuilds
- Stand-alone products

Pulp

- Wood and pulp handling
- Fiber processing
- Recovery

Energy

- Heat and power generation
- Air emission control
- Biofuels

Services

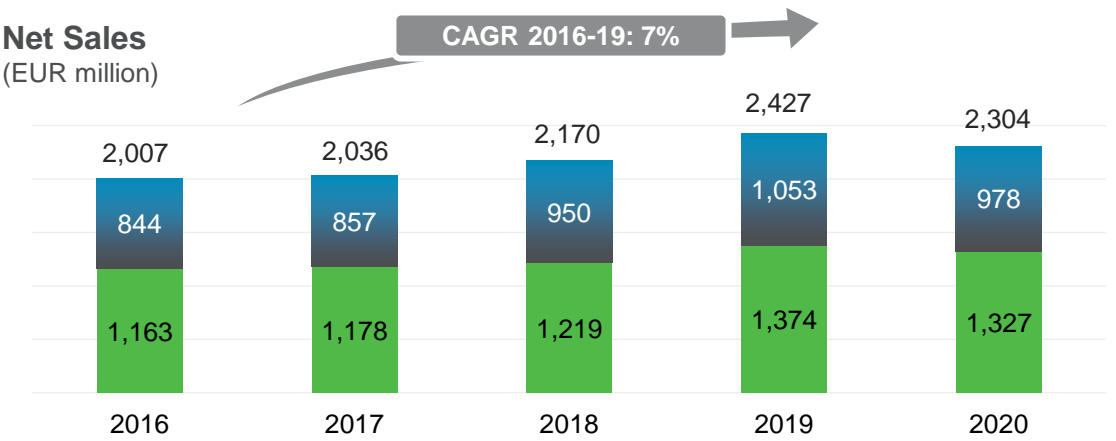
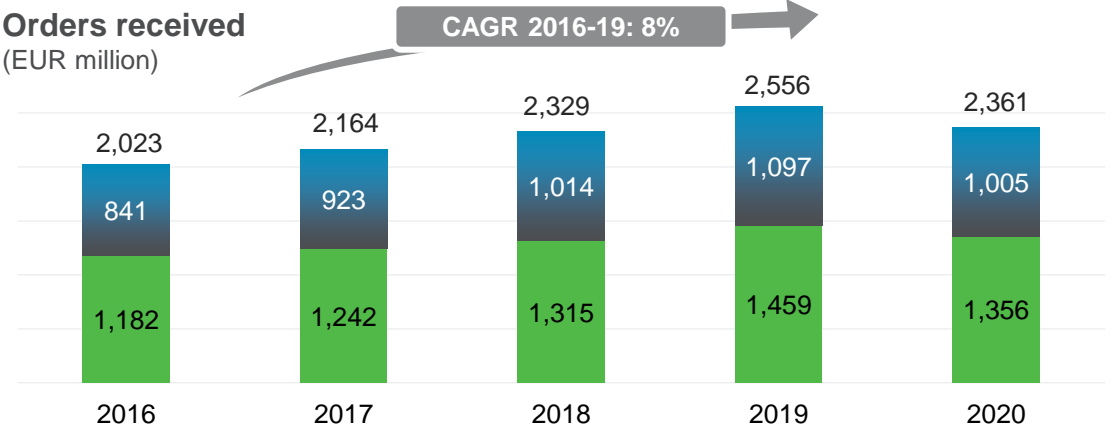
- Spare parts and components
- Maintenance and shutdown services
- Outsourcing services
- Production consumables
- Process support and optimization



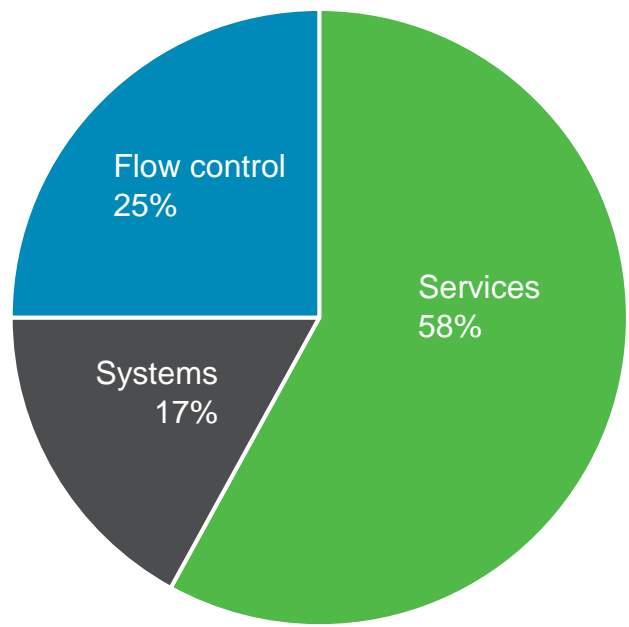
Flow Control and Automation Systems across process industries

- Flow Control solutions
- Automation Systems
- Industrial Internet solutions

Large recurring and stable business providing resilience to business cycles (illustrative figures)



Services and automation business net sales split in 2020



Figures in dark green for Valmet services and blue for Flow control (Neles) and Systems (Valmet's Automation, which includes internal orders received and net sales from other Valmet business lines)

Strong industrial logic through the combination of flow control and automation systems

Future Automation business offering



Valves

- Control valves
- Automated on/off valves
- Emergency shut-down valves



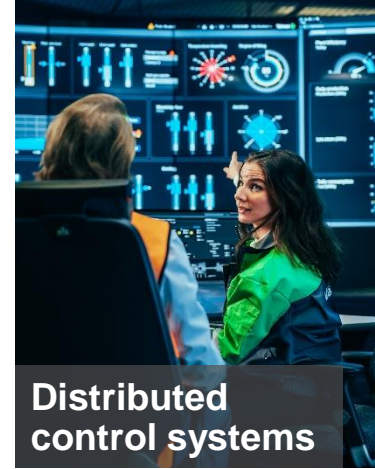
Valve automation

- High-performing pneumatic, electric and manual actuators designed to maximize cycle life and improve process efficiency



Valve controls

- Automatic valve controllers and valve positioners to improve process efficiency and enable predictive valve maintenance



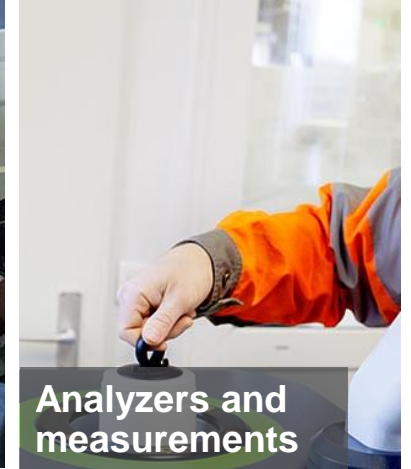
Distributed control systems

- Highly integrated automation system for process control and condition monitoring



Quality management

- Quality control system, quality management applications

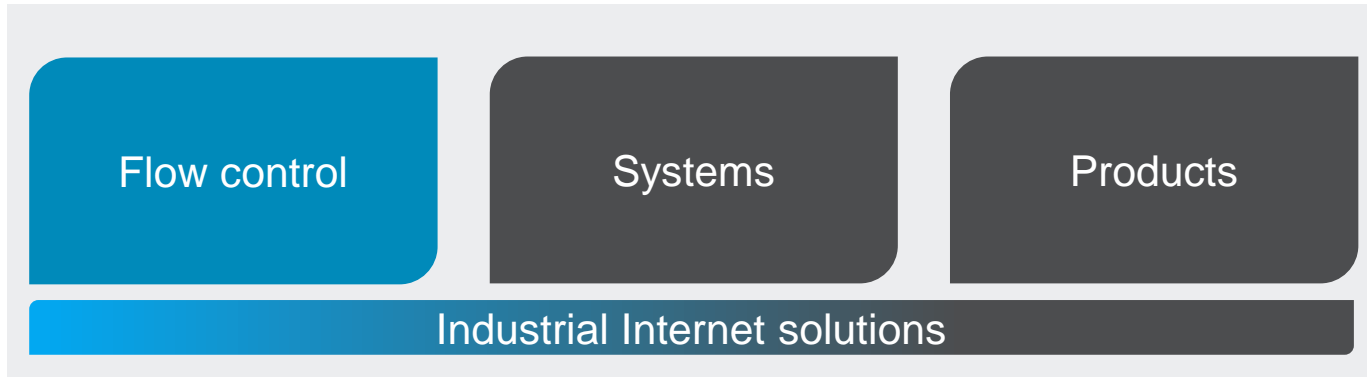


Analyzers and measurements

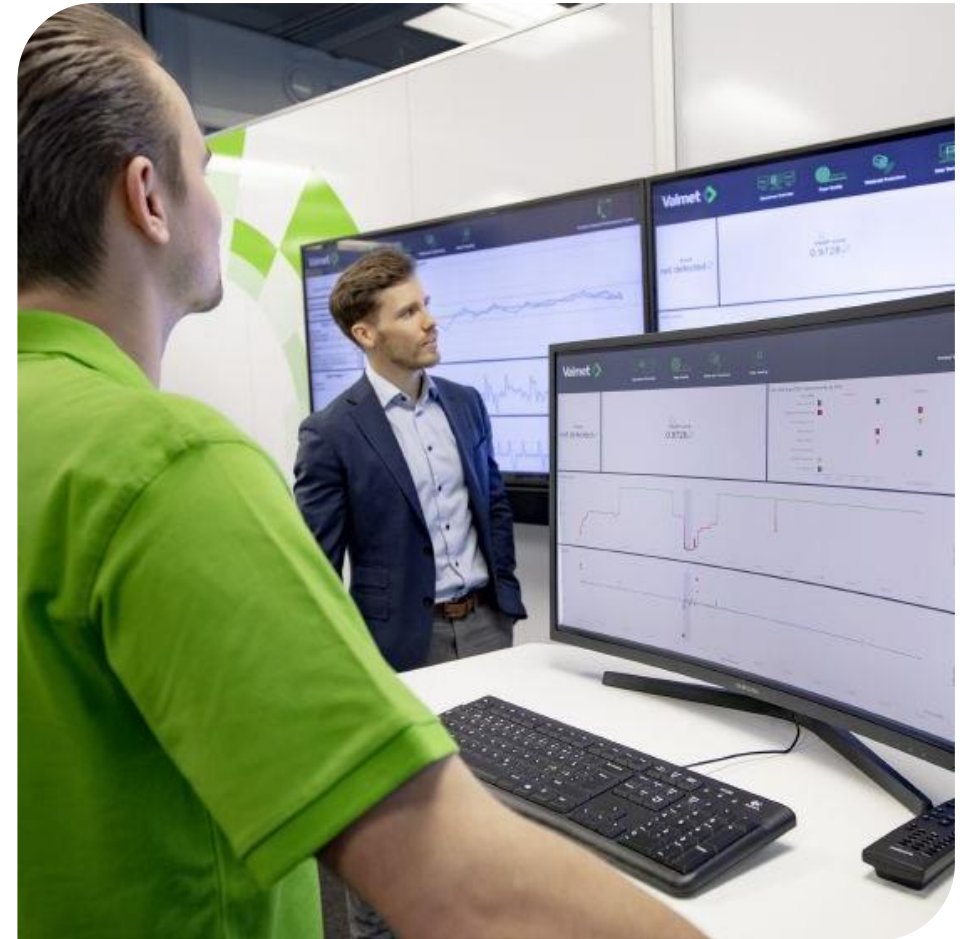
- For measuring and optimizing different variables in industrial processes

Services and Industrial Internet solutions

Solid platform for further growth in automation business



- A leading position in process-critical valves and valve automation products
- Growth in current markets with valves, valve automation and valve controls
- Further penetration in selected segments
- Potential new applications including green hydrogen
- Growth by increased penetration into energy and process industry end-markets
- Enhancement of existing process automation capabilities
- A leading position in pulp and paper analyzers and measurements
- Growth by expansion in analyzers, measurements and sensors



Revenue, technology development and cost synergy potential contributing to shareholder value creation

Sales & Offering	Improved combined sales to pulp & paper customers
	Cross-sales to energy and process industry customers
	More comprehensive service offering and extended service network
Technology Development	Increased remote monitoring and predictive maintenance offering
	More capabilities to process automation technology development
Costs	Combined global and country-driven functions
	Common locations
	Listed company related cost savings
Integration	Same heritage, similar management models and values
	Strong track record of successful integration

Expected annual run-rate synergies of

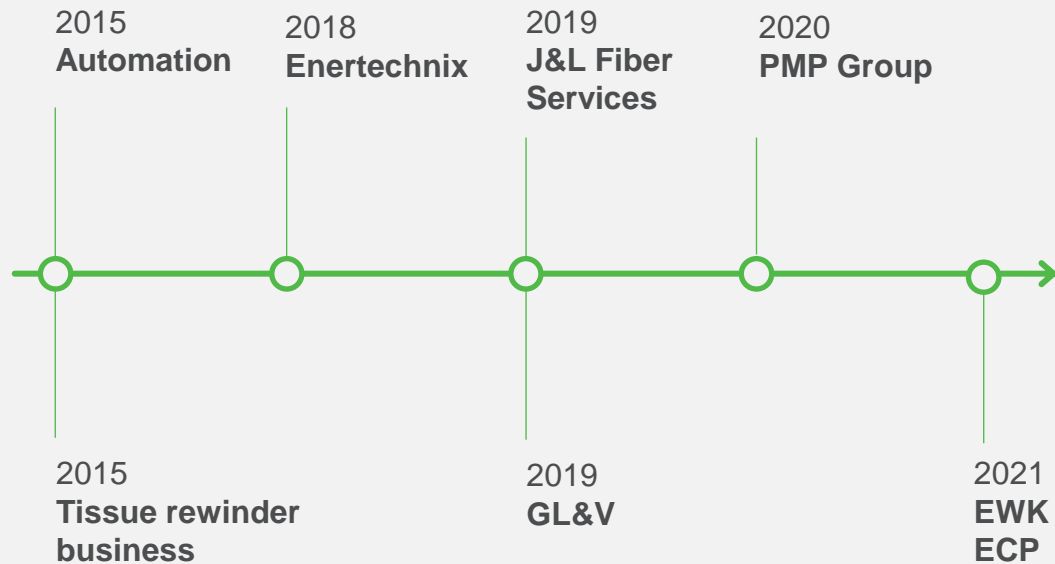
EUR 25 million

~60% achieved by 2023 and ~90% by 2024

Total one-off implementation costs of EUR 25 million

Valmet's track record in developing the integrated businesses

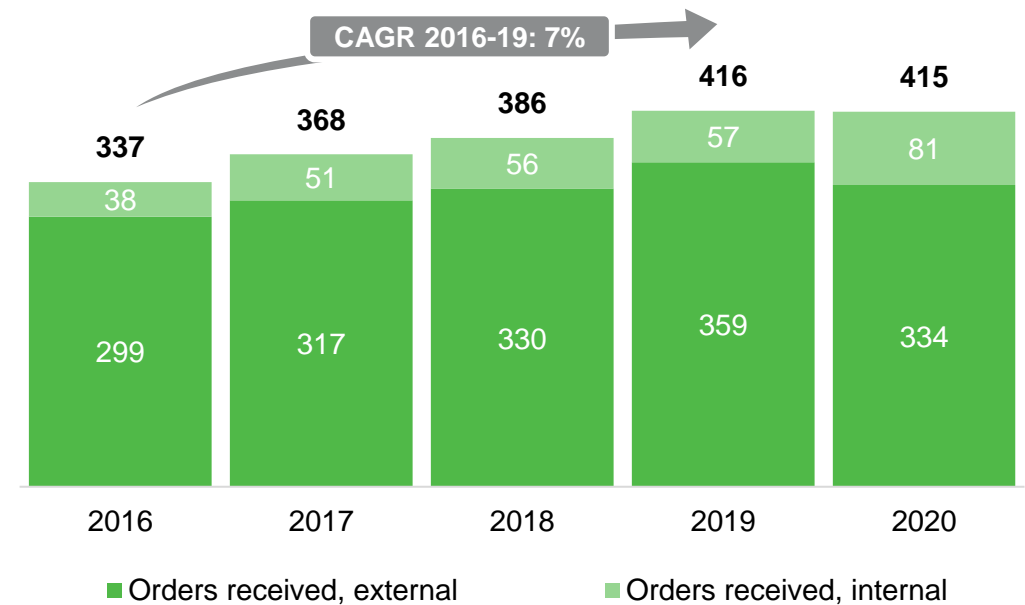
Track record of successful acquisitions




The growth path of Automation business is a good example of Valmet's ability to extract synergies and successfully integrate as well as develop the businesses combined.

Automation business line

Orders received (EUR million)





Pro forma financials and new financial targets for the combined company

Pro Forma financials

Pro Forma KPI's

	1-6/2021 (YTD)			1-12/2020 (YTD)		
EUR million	Valmet	Neles	Combined ¹⁾	Valmet	Neles	Combined ¹⁾
Net sales	1,801	275	2,069	3,740	576	4,301
Comparable EBITA	175	35	210	365	85	449
% of net sales	9.7%	12.7%	10.1 %	9.8%	14.8%	10.4 %
EBITA	186	34	215	355	74	542
% of net sales	10.3%	12.3%	10.4 %	9.5%	12.8%	12.6 %
Operating profit	161	32	176	319	70	403
% of net sales	8.9%	11.8%	8.5 %	8.5%	12.2%	9.4 %

	June 30, 2021		
EUR million	Valmet	Neles	Combined ¹⁾
Total assets	4,144	648	6,325
Total equity	1,144	259	2,503
Total liabilities	3,001	389	3,822
Return on equity (ROE), annualized ²⁾	21.2%	17.3%	10.5%
Return on capital employed (ROCE) before taxes, annualized ²⁾	20.2%	13.6%	10.6%
Equity to assets ratio (end of period)	38.9%	42.1%	49.2%
Gearing (end of period)	-0.8%	34.0%	12.8%

1) The Pro Forma Information addresses a hypothetical situation and is not therefore necessarily indicative of what the Combined Company's financial position or financial performance actually would have been had the Merger been completed as of the dates indicated.

2) ROE & ROCE have been calculated using June 30, 2021 balance sheet values only, period averages (opening and closing balances) are not available for denominator values. Numerator represents annualized 1-6/2021 values.

Note: The unaudited pro forma financial information can be found on the English Merger Prospectus starting from page 85.

New financial targets for the Combined Company aiming at consistent development path forward approved by the Board of Directors of Valmet

Growth

Net sales for services and automation¹ business to grow over two times the market growth

Net sales for capital business to exceed market growth

Profitability

Comparable EBITA:
12–14%

ROCE

Comparable return on capital employed (ROCE) before taxes² at least 15%

Dividend policy

Dividend payout at least 50% of net profit

The new financial targets are approved by the Board of Directors of Valmet Oyj

1: Automation = Flow control (Neles) and Systems (Valmet's Automation)

2: Comparable ROCE before taxes = (profit before taxes + interests and other financial expenses +/- items affecting comparability) / (balance sheet total - non-interest-bearing liabilities (average for the period))



EGM decisions and next steps

EGM decisions and next steps

- The Extraordinary General Meetings of Valmet and Neles were held on September 22, 2021
- The merger was approved by both General Meetings
 - Over 99 percent of the shares and votes represented at the meeting voted in favor of the merger in Valmet's EGM
- Integration planning has started
 - Neles planned to form a fifth business line for Valmet named Flow Control
- All competition authority filings have been submitted
- The planned Effective Date is January 1, 2022

Q&A

