

Merger of Valmet and Neles created a leading company with a unique offering for process industries globally

Valmet and Neles merger closing

1 April, 2022

Pasi Laine, President and CEO

Agenda

- 1 Valmet and Neles in 2021
- 2 The merger created a leading company with a unique offering for process industries
- 3 The rationale for the combination
- 4 Valmet well positioned for future growth
- 5 Merger consideration
- 6 New financial targets, guidance and short-term market outlook



Valmet and Neles in 2021

Valmet in 2021

Leading global developer and supplier of process technologies, automation and services for the pulp, paper and energy industries

Orders received, 2021

EUR **4,740** million

>220

years of industrial history



14,246

employees



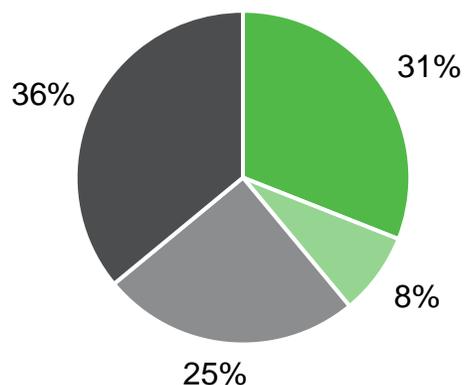
>30

countries

Net Sales, 2021

EUR **3,935** million

Orders received by business line, 2021



- Services
- Automation
- Pulp and Energy
- Paper

Process technologies, services and automation for pulp, paper and energy industries



R&D spend, 2021

EUR **82** million
2.1% of net sales

Protected inventions

1,300

Comparable EBITA, 2021

EUR **429** million

10.9% margin

8

consecutive years in Dow Jones Sustainability Indices

Neles in 2021

Leading diversified valve, valve automation and service company for process industries globally with a proven track record

Orders, 2021

EUR **625** million



Expertise & innovation
since 1950's



~2,950
employees



~40
countries

Sales, 2021

EUR **611** million

Valves

~400,000

delivered annually

Actuators and positioners

~160,000

delivered annually

Leading product brands

Neles™
Jamesbury™
Easyflow by Neles™
Flowrox™

Adjusted EBITA, 2021

EUR **87** million

14.2% margin

Resilient business

~70% of sales customer OPEX driven

Mission-critical product portfolio

- Control valves
- On-off valves
- Intelligent safety valves
- Valve controllers, actuators and limit switches
- Valve spare parts
- Services

Serving variety of industries

Net sales, 2021



Pulp, Paper & Bio 31%
Oil & Gas 29%
Industrial gas 6%
Chemicals 18%
Other industries 16%*

*Incl. Mining & Metals, Power, Water treatment, Food & Bev, Pharma



The merger created a leading company
with a unique offering for process industries

Valmet is 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



Automation Systems

Market position in Pulp and Paper
#1-3

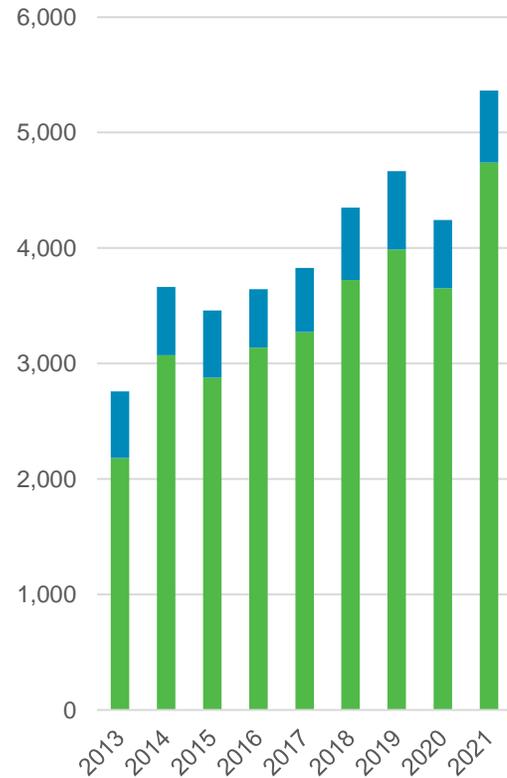
- Large recurring and stable business
- Solid platform to grow and develop all businesses
- Strong confidence and reputation among customers¹
- A winning team with a shared heritage and performance orientation



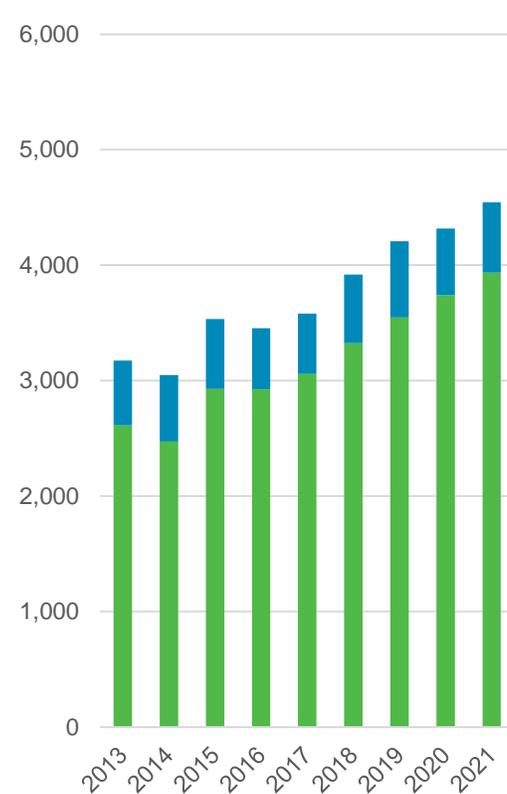
1) Based on global brand and customer satisfaction surveys

Track-record of growth and continuous profit improvement

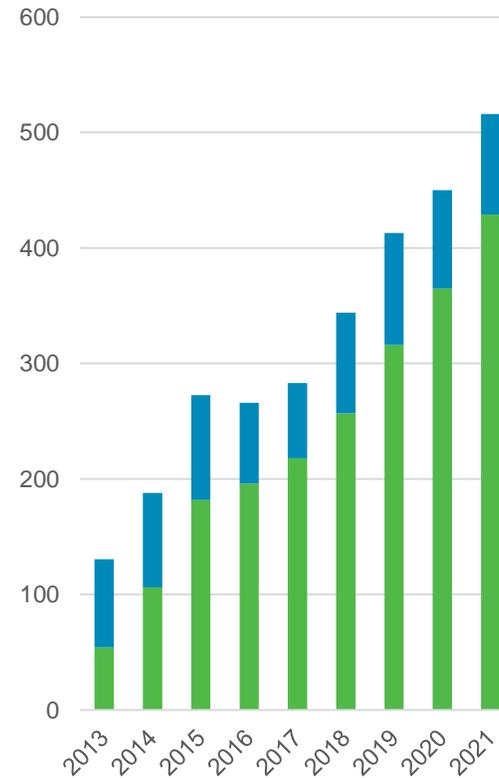
Orders received
(EUR billion)



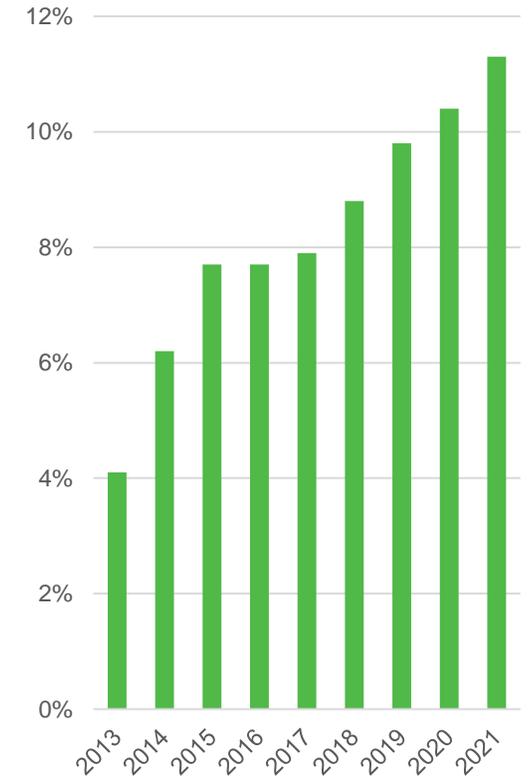
Net sales
(EUR billion)



Comparable EBITA
(EUR million)



Comparable EBITA margin
(%, combined company)



Dark green: Valmet. Blue: Neles. Illustrative combined figures calculated by combining Valmet and Neles figures and do not include any adjustments to the historical information. Neles' figures for 2014-2015 are estimates based on Metso Flow Control (adjusted for structural changes) and 2013 based on Metso Automation (adjusted for structural changes).

A strong financial profile and balanced business portfolio

Illustrative 2021 key figures of the Combined Company

Orders received
EUR 5,366 million

Net sales
EUR 4,546 million

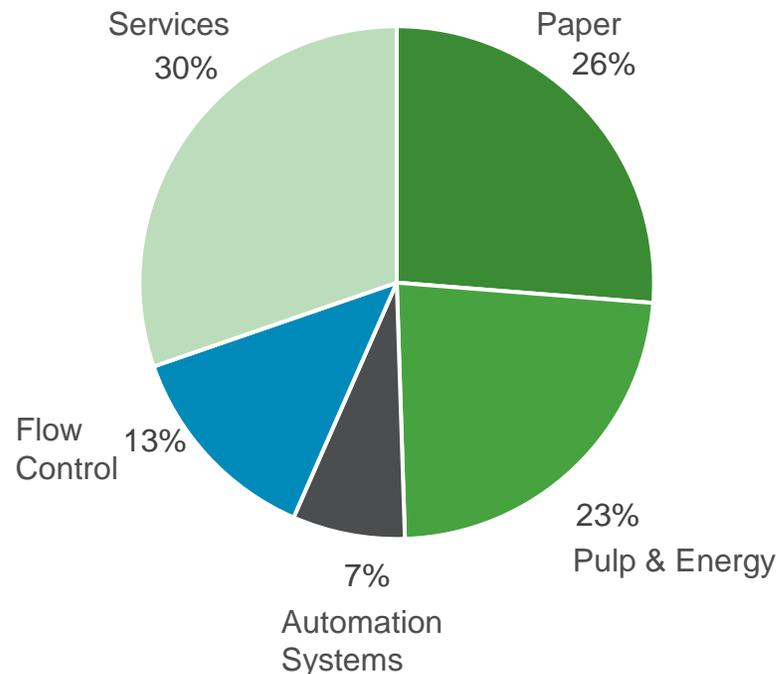
Comparable EBITA
EUR 518 million

Comparable EBITA margin
11.3%

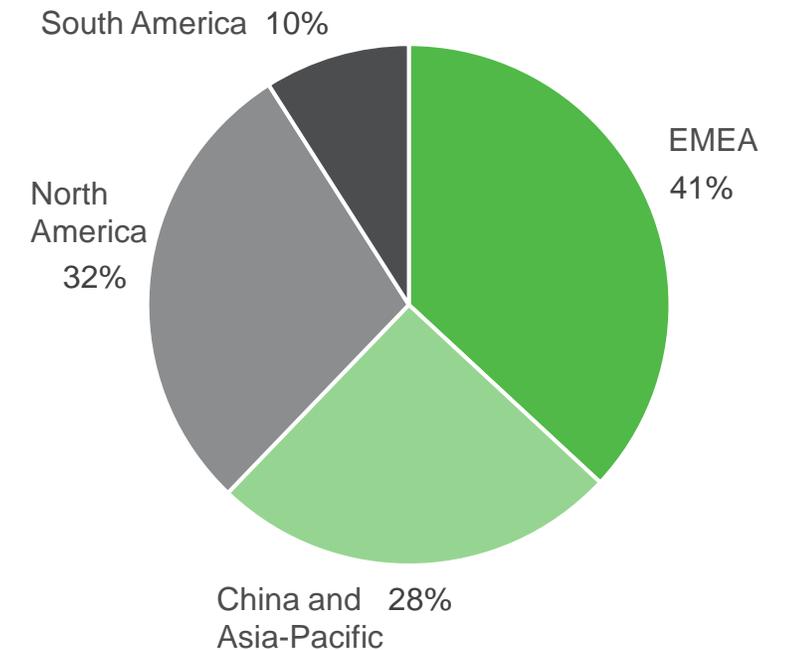
Order backlog
EUR 4,390 million

Employees
17,180

Net sales by business line

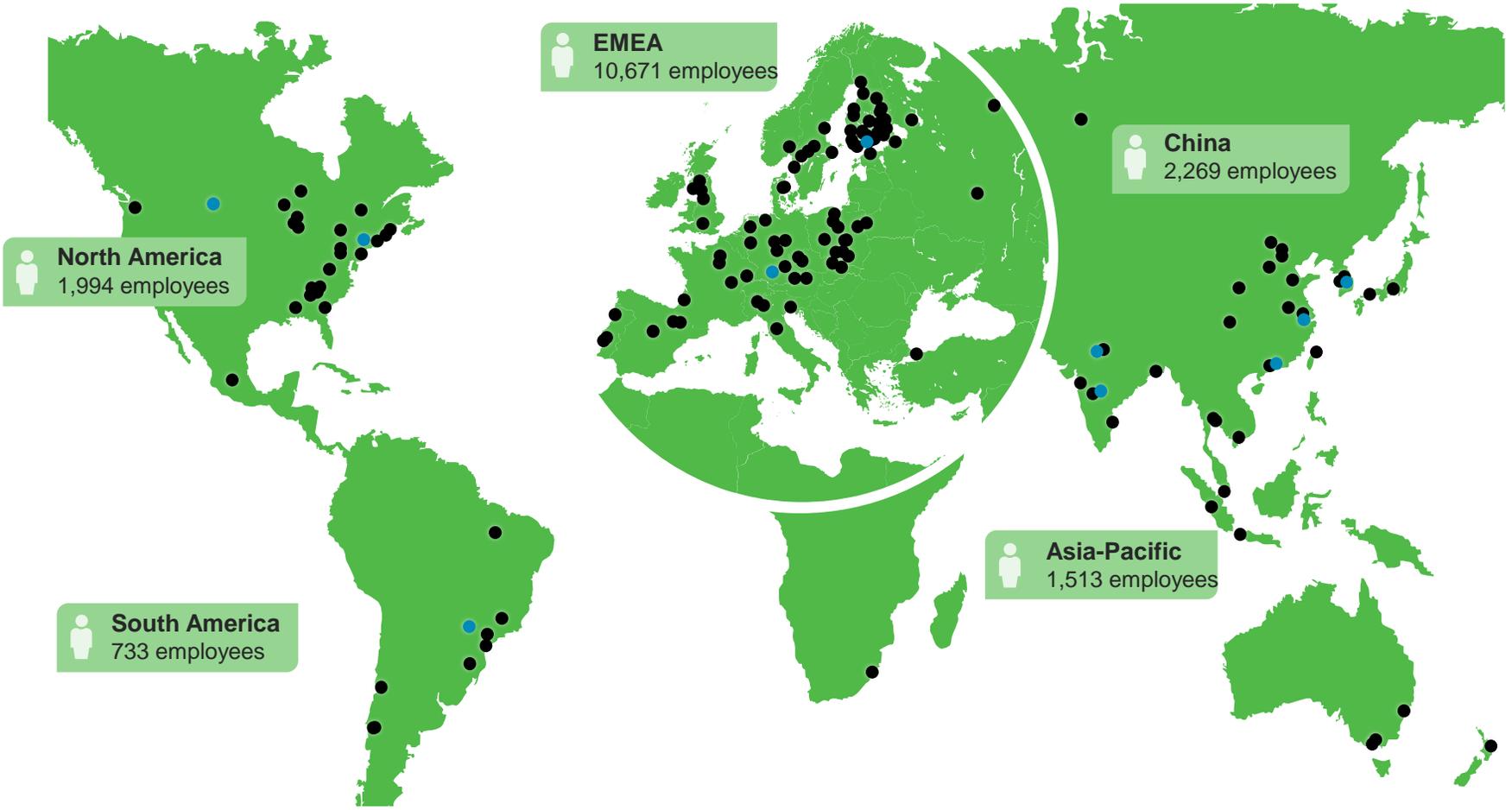


Net sales by area



All figures are illustrative, based on combined company 2021 figures. Source for Flow Control figures: Neles' financial statements 2021. Neles' sales in India included in EMEA.

Global presence is a good platform for growth in Services and Automation



~140
service centers



54
production units



24
R&D centers



8
Performance
Centers



Personnel as at December 31, 2021



Acknowledged leader in sustainability

360° approach to sustainability across value chain

Environment

We enhance circularity and environmental efficiency and reduce CO₂ emissions through the entire value chain. Valmet aims to enable fully carbon neutral production for its customers by 2030.

Social

We promote an engaging work environment, commit to the health and safety of our people and partners, and strive to be a responsible corporate citizen.

Governance

We follow ethical business practices, ensure a sustainable supply chain and report in a transparent manner.



Member of
**Dow Jones
Sustainability Indices**
Powered by the S&P Global CSA



Sustainability Award
Bronze Class 2022
S&P Global



MSCI
ESG RATINGS
AAA
CCC B BB BBB A AA AAA



Valmet's Climate Program: Forward to a carbon neutral future

Targets by 2030 for the entire value chain

SUPPLY CHAIN

-20%

CO₂ emission reduction

OWN OPERATIONS

-80%

CO₂ emission reduction

USE PHASE OF VALMET'S TECHNOLOGIES

-20%

Further reduced energy use
of Valmet's current technologies

100%

Carbon neutral production

- Valmet's new Climate Program sets credible targets and concrete actions for 2030 for the entire value chain
- Program is aligned with the Paris Climate Agreement's 1.5-degree pathway and UN Sustainable Development Goals and approved by the Science Based Targets Initiative (SBTi)

Main actions to reach targets by 2030

- Target CO₂ emission reductions from supply chain
- Reduce energy usage and use renewable fuels and CO₂ free electricity and district heating in own locations
- Improve energy efficiency of our existing process technology offering by 20%
- Develop existing and new technologies to enable carbon neutral production for our customers



The rationale for the combination

Strategic rationale – Merger created a leading company with unique offering



- 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

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

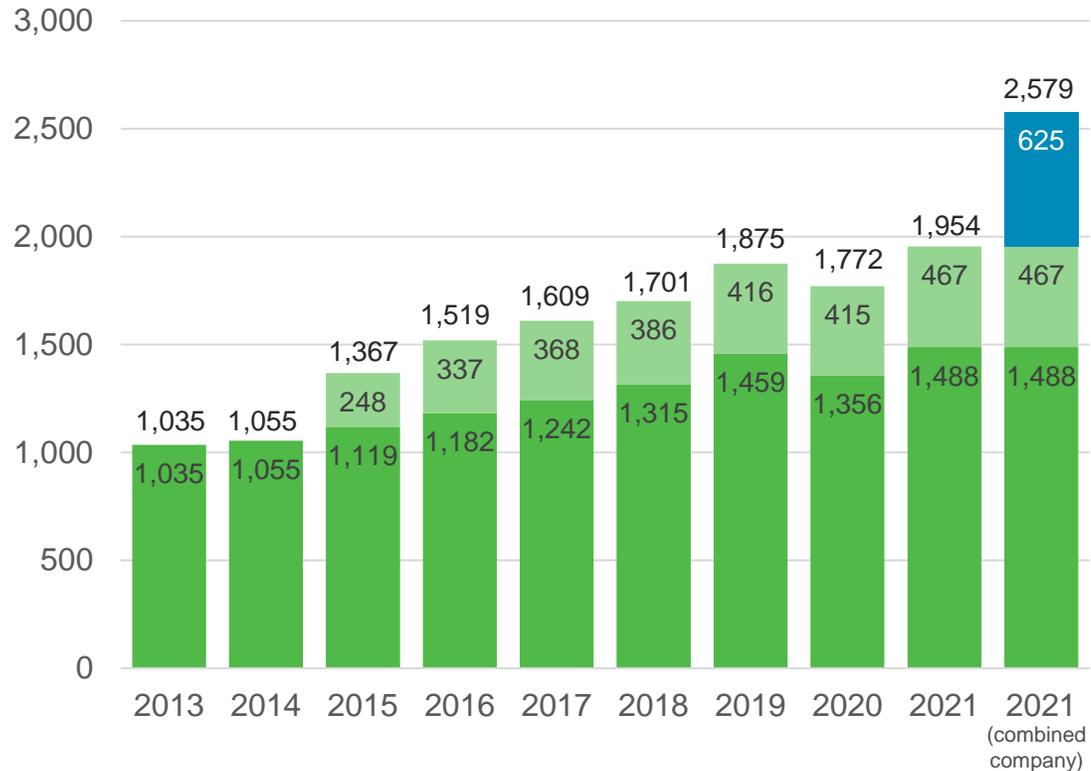


Flow Control and Automation Systems

- Valves
- Valve automation
- Valve controls
- Distributed control systems (DCS)
- Quality management systems (QMS)
- Analyzers and measurements
- Services and Industrial Internet solutions

EUR 2.6 billion recurring and steadily growing stable business

Orders received
(EUR million)



Figures in dark green for Valmet Services business line, light green for Valmet Automation Systems business line (which includes internal orders received from other Valmet business lines) and blue for Flow Control (Neles). For 2021 combined company, figures are illustrative.

- Valmet's stable business has grown steadily since 2016
- Future growth possibilities are supported by favorable megatrends
- Stable business provides resilience to business cycles and makes Valmet's order intake less cyclical

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

Valmet's Automation business offering



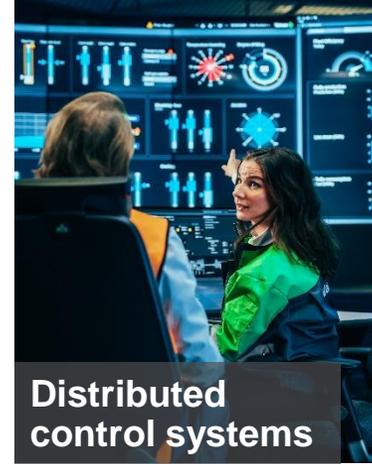
- Control valves
- Automated on/off valves
- Emergency shut-down valves



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



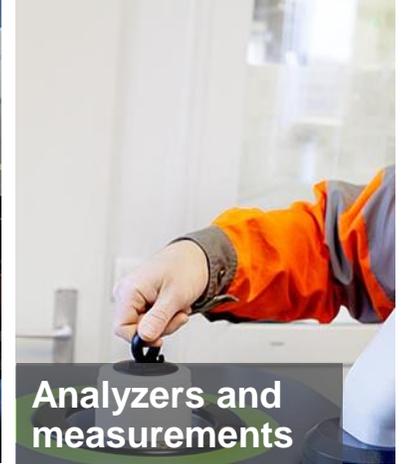
- Automatic valve controllers and valve positioners to improve process efficiency and enable predictive valve maintenance



- Highly integrated automation system for process control and condition monitoring



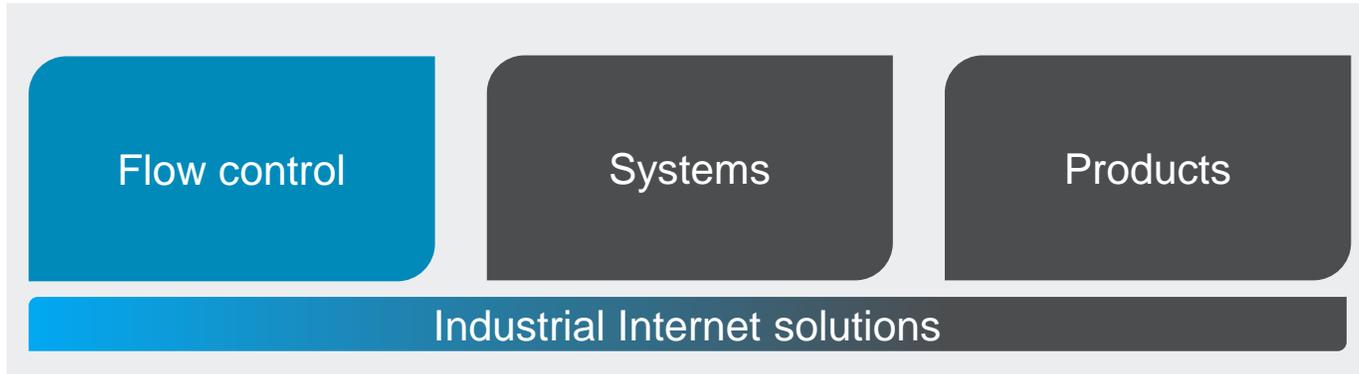
- Quality control system, quality management applications



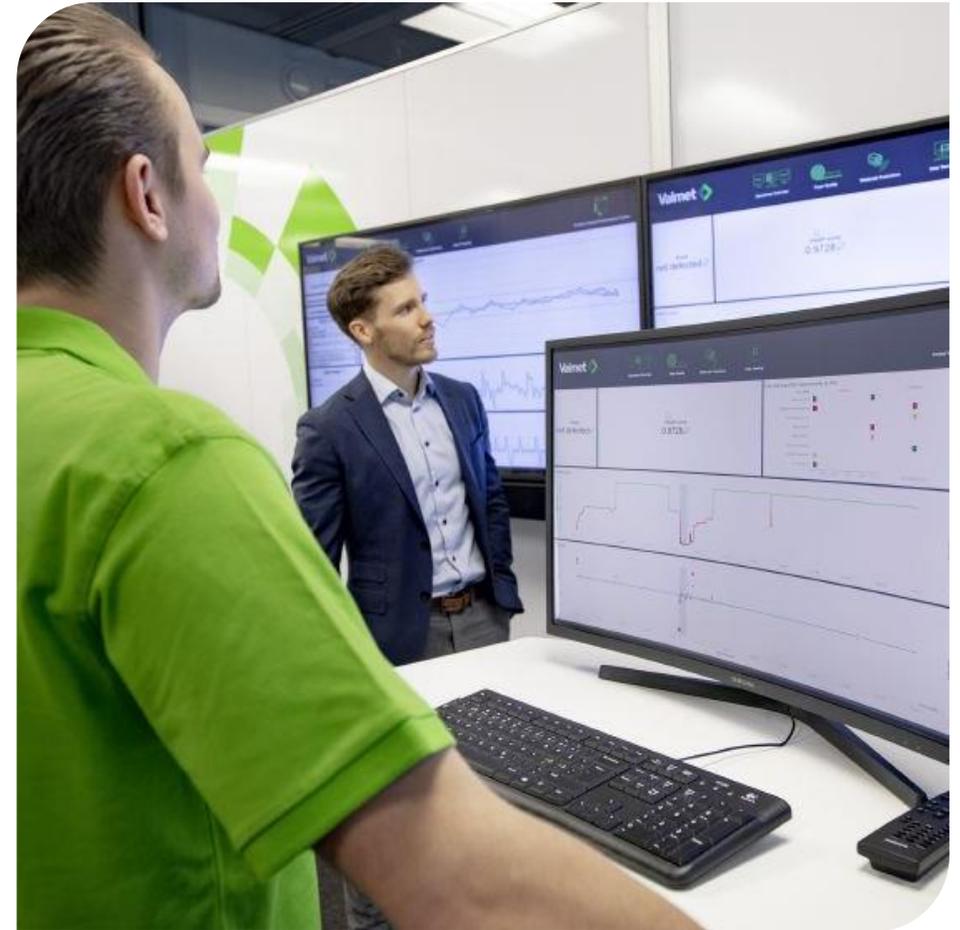
- For measuring and optimizing different variables in industrial processes

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 end 2023 and ~90% by end 2024

Total one-off implementation costs of EUR 25 million



Valmet well positioned for future growth

Growth potential in all businesses and in new emerging sectors supported by favorable megatrends

Growth in process technology

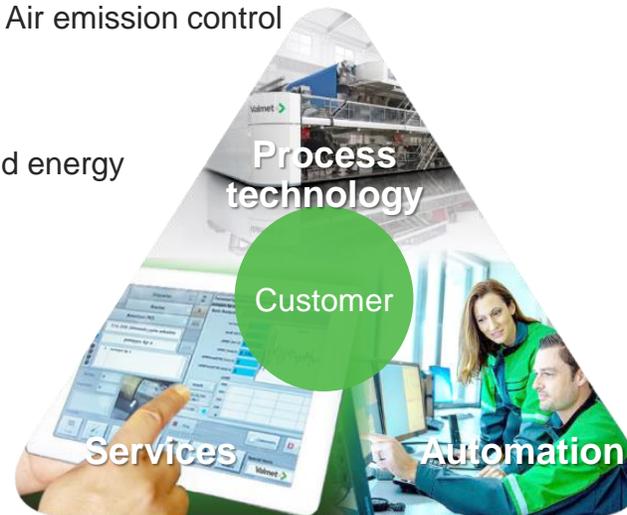
- Driven by e-commerce and emerging markets growth, shift to renewable materials, and rise in living standards

New emerging opportunities especially in

- Cellulose based and recycled textile production
- Plastic replacement and fiber-based products
- 3D molded fiber
- Second generation bioethanol
- Air emission control

Growth in services

- Driven by increasing pulp, tissue, board and energy production and demand of raw material, environmental and process efficiencies
- Growth opportunities especially in
 - Spares and consumables
 - Process support and optimization
 - Filtration



Growth in flow control and automation systems

- Similar growth drivers with process technologies and services added with demand for Industrial Internet based and digital solutions
- Growth opportunities especially in
 - Flow control
 - Automation systems
 - Automation products

Global megatrends

Resource efficient and clean world

Digitalization and new technologies

Urban, responsible and global consumer



Merger consideration

Merger consideration

- Valmet acquired 29.5% of Neles shares in 2020 for EUR 456 million, average price per share was EUR 10.27
- Merger consideration to Neles' shareholders was approximately 34.7 million Valmet shares, amounting to EUR 978 million
- The total cost of Neles' shares acquired by Valmet amounted to EUR 1.434 billion
- Valmet's share price at the end of March 31, 2022, was EUR 28.21
- Valmet's number of shares increased to approximately 184.5 million
- Neles' extra distribution before the merger to Neles shareholders was EUR 2.00 per share

Merger consideration to Neles shareholders is excluding shares held by Valmet in Neles as well as treasury shares held by Neles, which do not entitle to the Merger Consideration. The total cost of Neles' shares acquired by Valmet calculated as the sum of Valmet's investment in Neles in 2020 and the value of merger consideration shares.



New financial targets, guidance and short-term market outlook

New financial targets

Growth

Net sales for stable business¹ 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

1: Stable business = Services, Flow Control and Automation Systems business lines

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))

Guidance and short-term market outlook

Guidance for 2022 (including the merger with Neles)

Guidance	Valmet estimates that, including the merger with Neles, net sales in 2022 will increase in comparison with 2021 (EUR 3,935 million) and Comparable EBITA in 2022 will increase in comparison with 2021 (EUR 429 million).
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Short-term market outlook (As published by Valmet on February 3, 2022 and by Neles on February 4, 2022)

		Q1/2021	Q2/2021	Q3/2021	Q4/2021
Services		Satisfactory	Good / Satisfactory	Good	Good
Automation	Flow Control				Good*
	Automation Systems	Good	Good	Good	Good
Pulp and Energy	Pulp	Good	Good	Good	Good
	Energy	Weak	Weak	Weak	Satisfactory
Paper	Board and Paper	Good	Good	Good	Good
	Tissue	Good	Good	Satisfactory	Satisfactory

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

Q&A

