

NELES

Half-Year Review:

Solid performance in a varying market

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August 5, 2020

Forward looking statements

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This presentation contains forward-looking statements that reflect the current views of Neles. These forward-looking statements include statements with regard to the expected development of business, results of operations and financial position of Neles. Accordingly, you should consider them with caution. Such statements are subject to risks and uncertainties, most of which are difficult to predict and are generally beyond the control of Neles. Among the factors that might influence our ability to achieve our objectives are the progress of our strategy implementation. In addition, stronger than expected competition, technological innovations, legal proceedings and regulatory developments, among other factors, may have a material adverse effect on our results. Further, the economic downturn in our markets, due to COVID-19 pandemic or otherwise, may also have an impact on our business development and the availability of financing on favorable conditions. If these or other risks and uncertainties materialize, or if the assumptions underlying any of these statements prove incorrect, our actual performance may materially differ from the performance expressed or implied by forward-looking statements. We can offer no assurance that our estimates or expectations will be achieved. Without prejudice to existing obligations under capital market law, we do not assume any obligation to update forward-looking statements to take new information or future events into account or otherwise.

Important note about this financial information

The demerger of the Metso Group took place on June 30, 2020, and the continuing operations were renamed the Neles Group. Until the end of 2020, Neles Group will be reported as continuing operations and the demerged Metso Minerals business as discontinued operations (for the period January 1 – June 30, 2020).

In this Half-year Review, in addition to IFRS financial information, a comparable balance sheet and a cash flow statement are disclosed. Figures in parentheses refer to the corresponding period in 2019, unless otherwise stated.

Neles Group is reported as one segment starting June 30, 2020.



H1 highlights and results



Financials in detail



Strategy update and focus areas

Highlights of H1

- The partial demerger of Metso was completed on June 30th, Metso share trading continuing under Neles name on Nasdaq Helsinki starting July 1st
- Solid underlying operational margins in the second quarter despite challenging Covid-19 pandemic situation
- Oil and Gas as well as Pulp and Paper projects remained active as evidenced in increased order backlog
- Services and Maintenance, Repairs and Operations-driven (MRO) business affected by mobility restrictions and lockdowns
- Neles Board of Directors confirmed strategy and mid-term financial targets on July 1st
- In July, Neles opened its new, state-of-the-art technology center in Jiaxing, China

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Markets and operating environment

- Investment projects in the Oil and Gas and Pulp and Paper industries remained active
- In Q2, the Services business and MRO-driven business were affected by the Covid-19 pandemic due to mobility restrictions postponement or cancellation of site work and maintenance shut-downs
- North American Market Area particularly impacted in the second quarter by both Covid-19 pandemic, fluctuations in oil price and overall market sentiment
- EMEIA (Europe, Middle East, India and Africa) and APAC also affected by Covid-19, slow-down in Services and MRO-driven business
- South America very strong in H1, mainly in Pulp and Paper projects

North America



EMEIA



South America



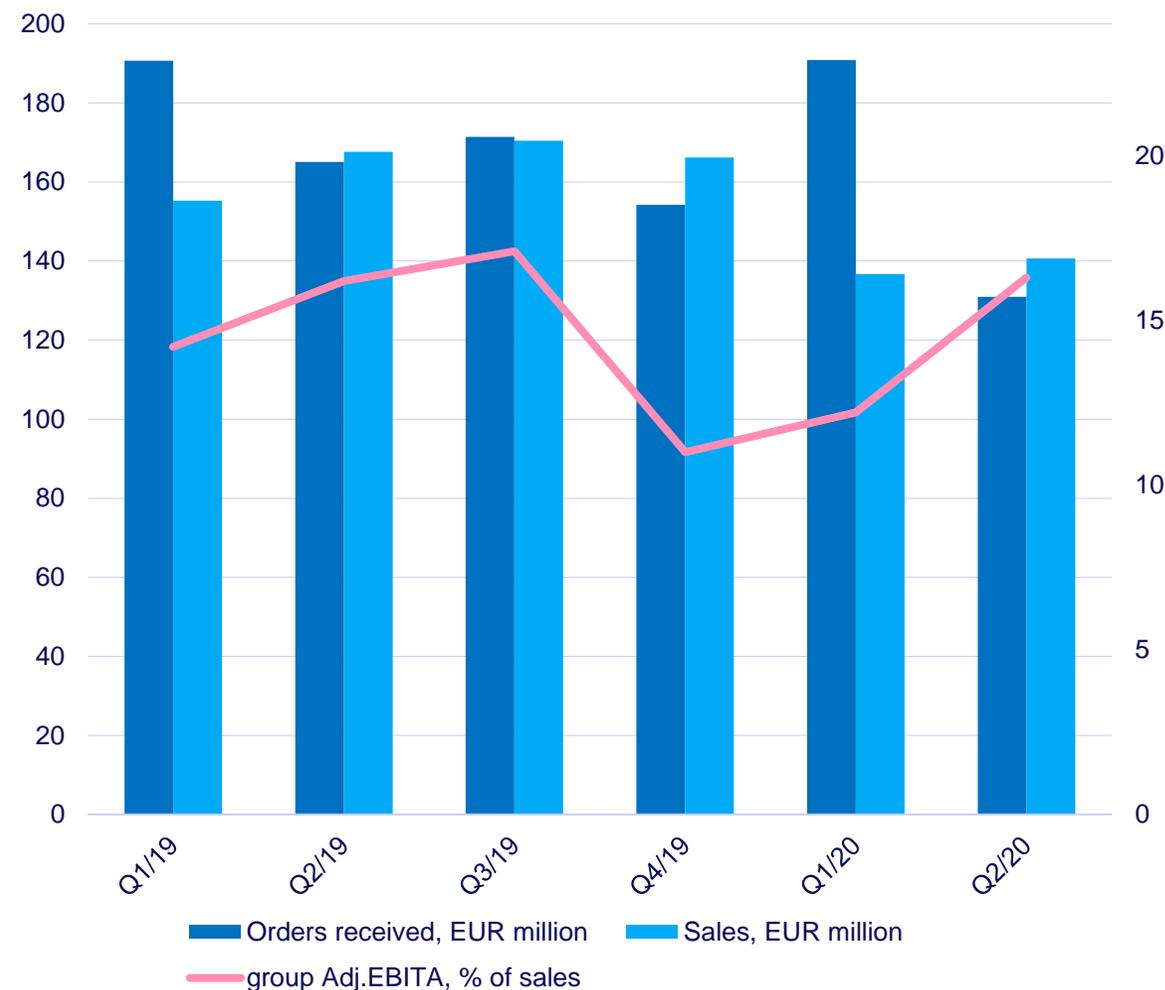
APAC



Cost management focus protected profitability in Q2 NELES

Group key figures – Q2/2020

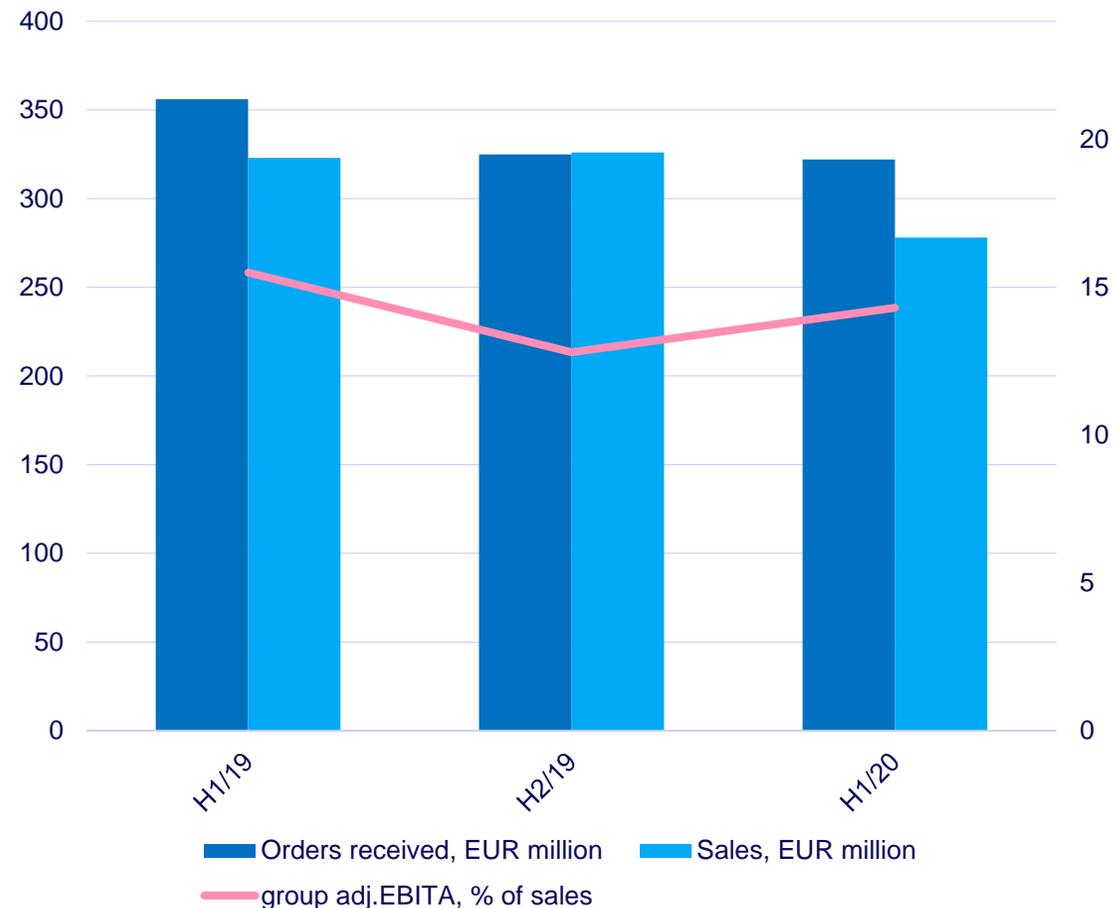
- Orders received EUR 131 million, down 21% y-o-y
- Sales EUR 141 million, down 16% y-o-y. Services sales down 13% y-o-y
- Adjusted EBITA EUR 23 million or 16.3% of Sales, down 15% y-o-y
 - Lower sales, countered by both structural and temporary cost saving actions
 - Adjustment items EUR 4.0 million - including creation and rebranding of Neles and IT and other cost related to setting up a new operating structure
- Operating profit EUR 18 million or 12.6% of sales, down 31% y-o-y
- Earnings per share were EUR 0.08
- Free cash flow Q2/20 EUR 39 million



Orders and sales impacted by a varying market in H1

Group key figures – H1/2020

- Orders received EUR 322 million, down 10%. Sales EUR 277 million, down 14% y-o-y. Services sales down 14% y-o-y. Order backlog EUR 305 million, up 2% y-o-y, up 9% from YE2019
 - Project business momentum on a good level
 - Services and MRO-driven business impacted by lockdowns and mobility restrictions and postponements of customer shutdowns
- Adjusted EBITA EUR 40 million or 14.3% of Sales, down 20% y-o-y
 - Lower sales, countered by both structural and temporary cost saving actions started in Q2
 - Adjustment items EUR 5.6 million - including creation and rebranding of Neles and IT and other cost related to the new operating structure
- Operating profit EUR 32 million or 11.7% of Sales, down 33% y-o-y
- Earnings per share EUR 0.14
- Free cash flow in H1/20 EUR 15 million



Actions taken to adjust the COVID-19 and oil price impact

- Employee safety and protection as a priority. New ways of remote working implemented.
- Supply chains kept operational. Factories working following guidance of local authorities.
- Cash collection and cash savings focus during Q2



Market outlook

- We expect the market activity in Pulp and Paper projects to continue on a good level.
- Market activity in Oil and Gas projects is expected to decline from the good level in the first half of the year, due to overall economic concerns.
- Market activity for Services and customer Maintenance, Repair and Operations-driven (MRO) business is expected to gradually improve from the suppressed levels in the first half of the year, as the mobility restrictions are expected to ease and customers' operations to normalize.
- The ongoing Covid-19 pandemic continues to create uncertainties and risks of abrupt changes in all markets.



Key events after the reporting period

- July 29: Notice to the Extraordinary General Meeting to be held on October 29, 2020, based on Valmet's proposal to increase the number of members in Neles' Board of Directors.
- July 15: Valmet Corporation announced that its direct shareholding in Neles exceeded on July 14, 2020 and was 15.50% of Neles' shares and votes.
- July 13: Alfa Laval AB announced their recommended public cash tender offer for all issued and outstanding shares in Neles that are not held by Neles or any of its subsidiaries. The Board members who participated in the decision-making have unanimously decided to recommend the offer.
- July 1: The share purchase was executed based on Valmet Corporation's share purchase agreement announcement published on June 17, 2020. After the share purchase, Valmet's ownership in Neles represented 14.88% of Neles' shares and votes.



H1 highlights and results



Financials in detail



Strategy update and focus areas

IFRS Income Statement

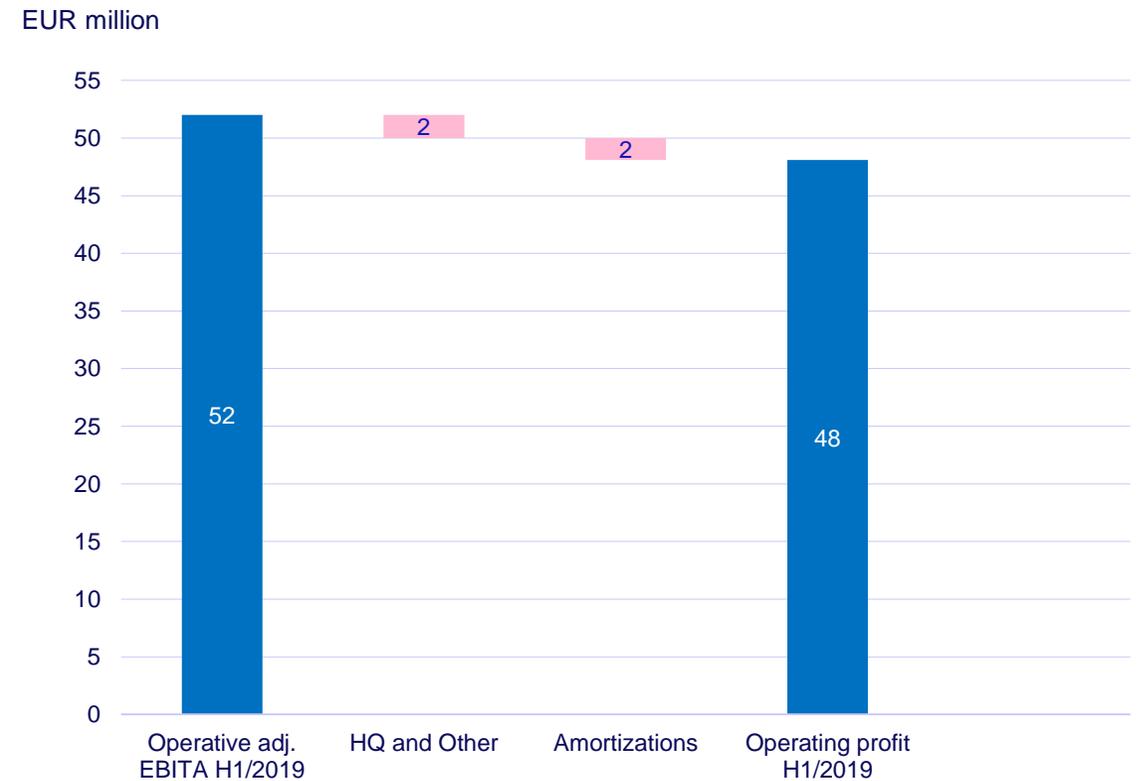
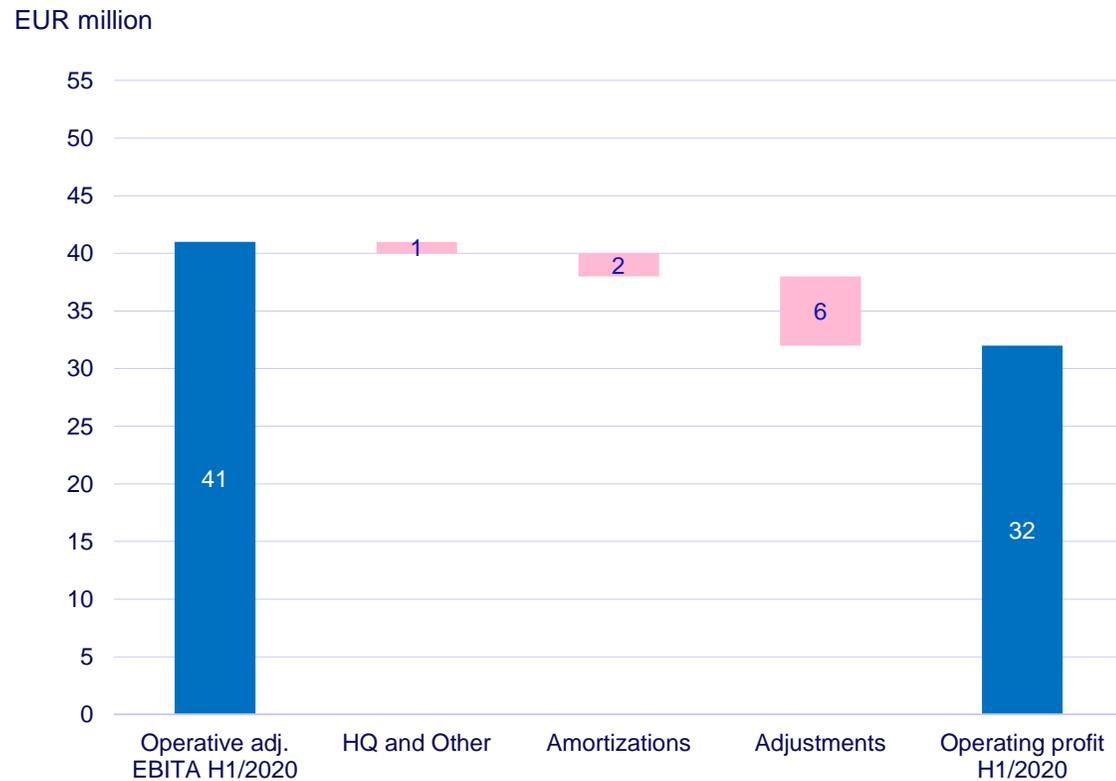
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EUR million	H1/2020	H1/2019	Change	2019
Sales	277	323	-14%	660
Adj. EBITA	40	50	-20%	97
of Sales %	14.3	15.4		14.7
Operating profit ¹	32	48	-33%	93
of Sales %	11.7	14.8		14.0
Profit before taxes	28	47	-40%	91
Profit for the period, continuing operations	22	34	-35%	69
Earnings per share, continuing operations	0.14	0.23	-8%	0.46
Earnings per share, discontinuing operations	14.32 ²	0.79	-	1.54
Earnings per share, total	14.46	1.02	-	2.00

¹ Impact of adjusting items of EUR 5.6 million negative in H1/20 and EUR 0 million in H1/19 and 2019

² H1/2020 profit for the discontinuing operations include EUR 2,022 million gain recognized on the distribution of net assets of discontinued operations at fair value

Bridge of Operative Adjusted EBITA to Group Operating Profit



IFRS Balance Sheet

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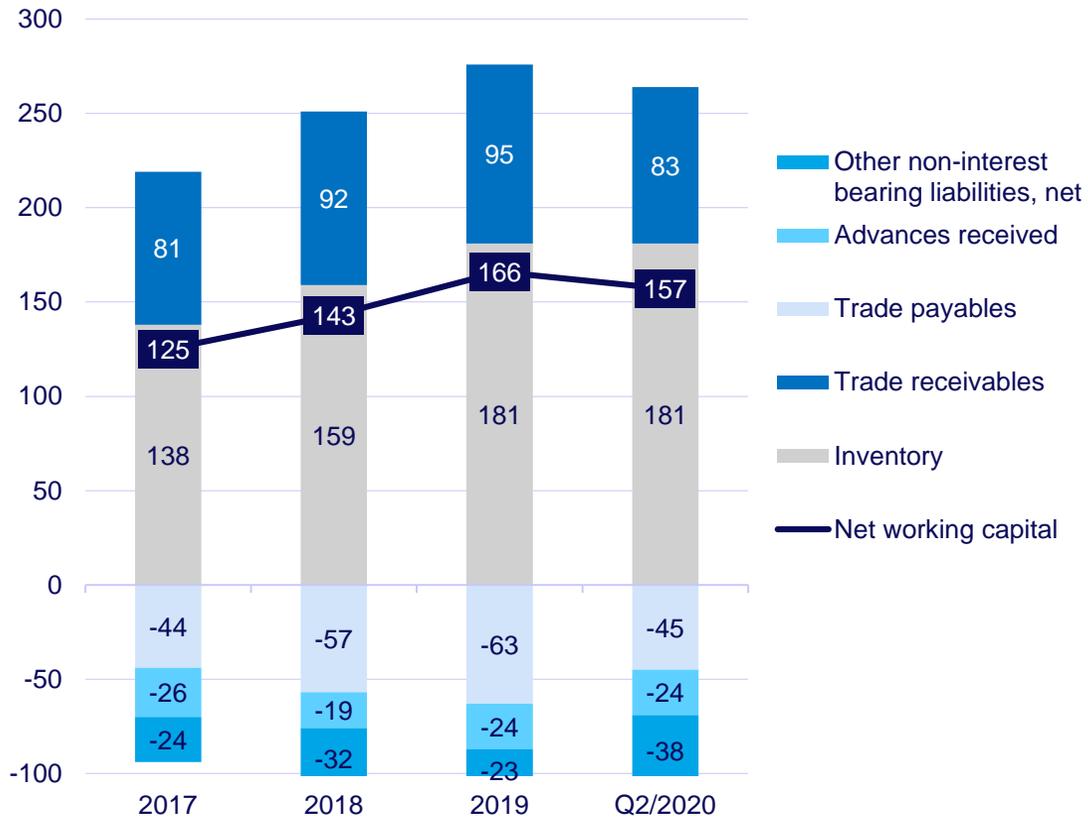
EUR million	Jun 30, 2020	Dec 31, 2019
Intangible assets	77	81
Tangible assets	64	67
Right-of-use assets	41	46
Other non-current assets	19	14
Inventories	181	181
Receivables (trade and other)	135	137
Liquid funds	114	57
Assets, continuing operations	632	582
Assets, discontinued operations	-	3,305
TOTAL ASSETS	632	3,887
Total equity	253	1,526
Interest bearing liabilities	213	103
Non-interest bearing liabilities	166	157
Liabilities, continuing operations	379	260
Liabilities, discontinued operations	-	2,102
TOTAL EQUITY AND LIABILITIES	632	3,887

Key figures	June 30, 2020
Net debt, EUR million	99
Gearing, % ¹	39.1
Equity-to-assets ratio, %	41.6
Debt to capital, %	45.7
Net debt/EBITDA ratio	1.0
Return on capital employed, before taxes continued operations, %	14.2

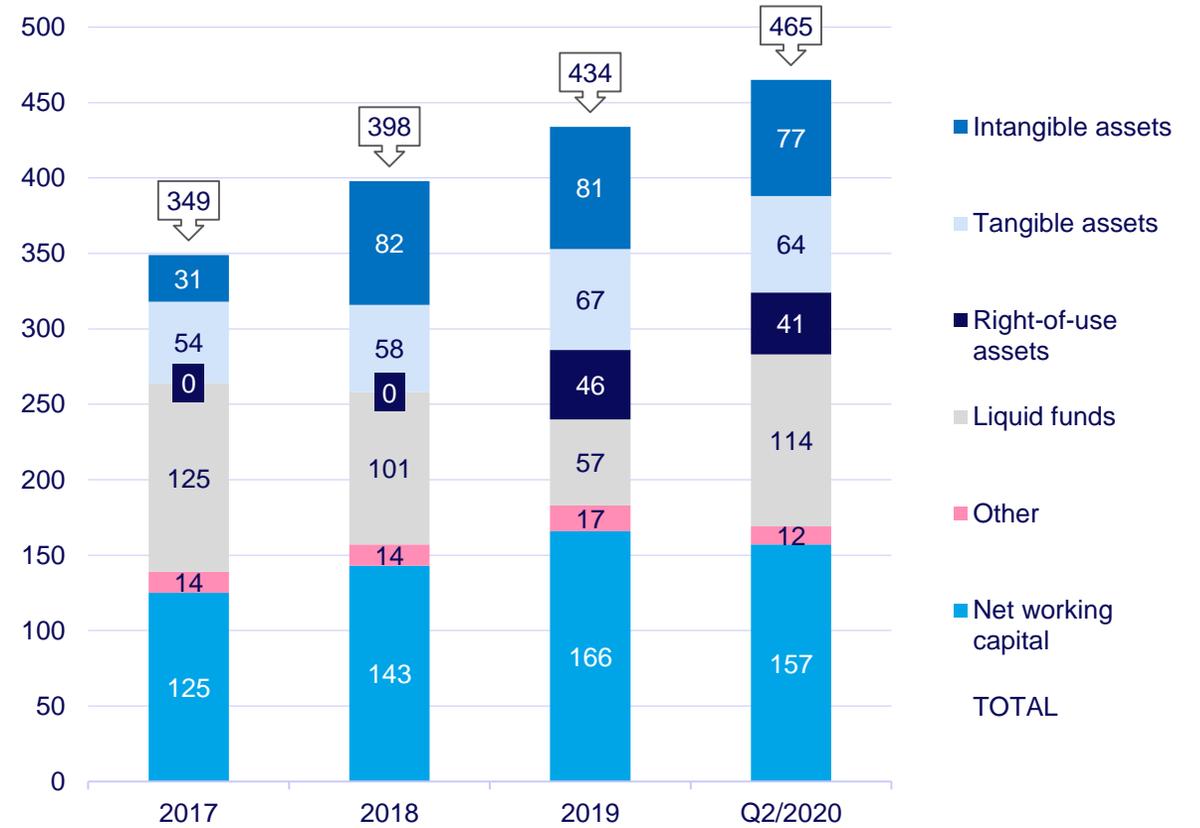
¹ On July 13, 2020 Neles paid EUR 26 million of withholding taxes on the dividend distribution paid to shareholders on June 25, 2020.

Net working capital and Capital employed

Net working capital ¹



Capital employed



¹ Neles continuing operations net working capital, excluding Metso internal items

IFRS Cash Flow, continuing operations

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EUR million	H1/2020	H1/2019	2019
Profit for the period, continuing operations	22	34	69
Adjustments	-13	30	54
Change in NWC	-6	-3	-30
Financial income and expenses paid, net	-1	-1	0
Income taxes paid	-1	-17	-38
Net cash flow from operating activities	23	43	54
Capital expenditure on fixed assets	-8	-6	-20
Proceeds from and investments in financial assets, net	0	-	-
Net cash flow from investing activities	-8	-7	-20
Free cash flow	15	36	34



H1 highlights and results



Financials in detail



Strategy update and focus areas

Our customer promise

Reinventing reliability

We draw on our long heritage, experience and knowhow to feed our ambition to continuously develop and innovate solutions that redefine how process industries experience reliable flow control performance.

Neles' mid-term financial targets, confirmed on July 1

≥5%
organic
growth ambition

>€1bn
orders received
around 2025

>15%
EBITA
while investing
in growth

<2.5x
Net Debt/EBITDA
maintaining
a healthy
balance sheet
while investing
in growth

~40%
of underlying¹
net earnings paid
as dividends

¹Net Earnings excluding amortizations resulting from future M&A

Strategic actions to achieve profitable growth while keeping a tight focus on value creation

Growing organically and through acquisitions:

- Gain market share by expanding in selected markets and broadening product offering
- Accelerate growth of valve controls & actuators
- Strengthen service business supported by digitalization
- Execute targeted acquisitions which support these initiatives

Investing in growth while maintain profitability:

- Improve project delivery and working capital optimization
- Leverage investments in China and India
- Ongoing cost saving actions to neutralize cost increase related to demerger and to create room for growth investments (e.g. R&D, sales channel expansion)
- Short-term focus on cash flow and cost savings in the current Covid-19 pandemic

Strategy execution

- Market leadership in Pulp and Paper maintained with strong success in winning major projects
- Good progress in developing capabilities and success in mining
- New organization and operating model implemented
- Resource reallocation progressing as planned
- Jiaxing factory in China started operations
- Easyflow offering from India for global launch ongoing

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Q3/2020 Interim Report:
October 28

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