

NELES

Interim Review January–September 2021:

Solid profitability driven by good sales volumes

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Merger consideration and forward-looking statements

This Interim Review is not an offer of merger consideration shares in the United States. The merger consideration shares have not been and will not be registered under the U.S. Securities Act of 1933 (the “Securities Act”), and may not be offered, sold or delivered within or into the United States, except pursuant to an applicable exemption of, or in a transaction not subject to, the Securities Act. There will be no public offering of securities in the United States. This Interim Review does not constitute an offer of or an invitation by or on behalf of, Neles, Valmet, or any other person, to purchase any securities.

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Important note about this financial information

In this Interim Review, a comparable cash flow statement is disclosed in addition to IFRS financial information. Figures in parentheses refer to the corresponding period of the continuing operations in 2020 unless otherwise stated.

Neles Group has been reported as one segment since June 30, 2020.



Q3 highlights and results



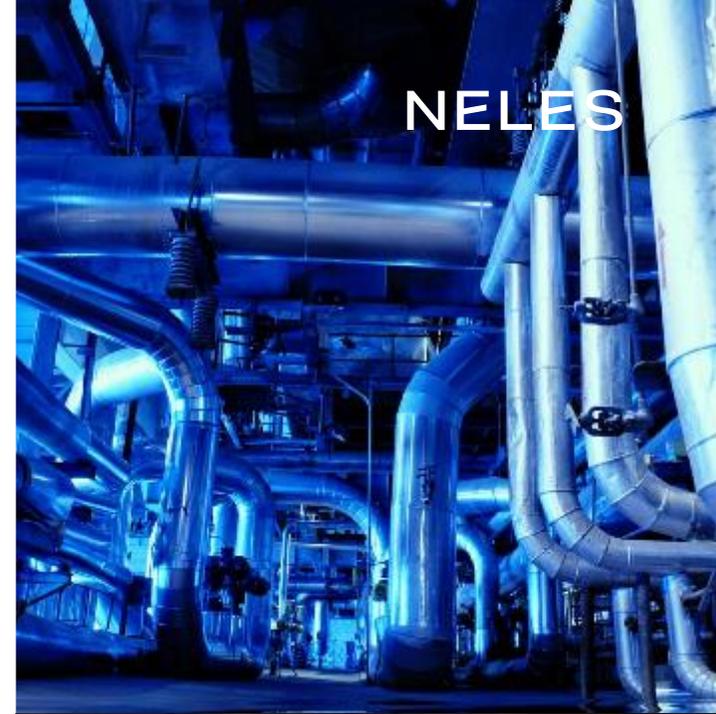
Financials in detail



Strategy update and focus areas

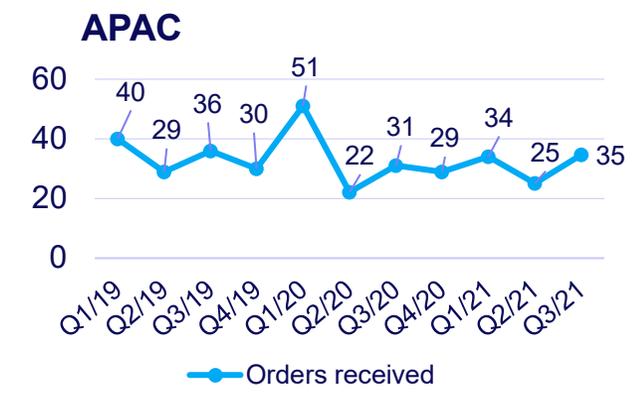
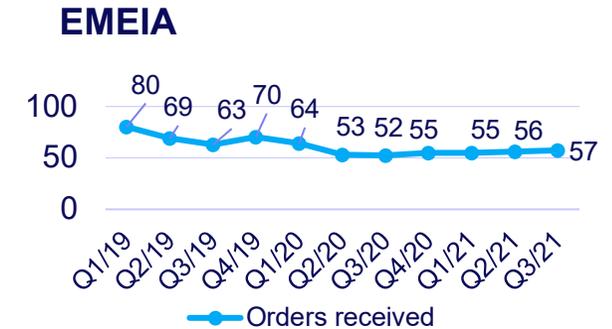
Highlights of Q3

- Market activity remained stable
 - Strong P&P and Bioproduct project activity continued
 - Services at a good level
 - Slowness in Chemicals and O&G project businesses
 - Project pipeline is healthy in all industries, orders are expected in the next 6 months
- Solid profitability driven by good sales volumes
 - Despite challenges in global logistics and availability of electronic components
- Acquisition of Flowrox valve and pump businesses signed, closing in November
- Neles and Valmet EGMs approved the merger
- After Q3 end: 12 months rolling LTIF 1.1, 1,000 days without incidents (LTI) record achieved on October 12 in Finland



Services back at pre-Covid level, MRO-driven business improved from 2020 but below 2019 levels

- The market sentiment in the North American MA continued good in Q3, orders grew by 24% from Q3/20. Sequential drop in orders related to timing
- The Services and MRO-driven businesses improved from Q3/20 in the EMEIA, but still below pre-Covid levels
- APAC orders grew by 12% from Q3/20. P, P&B project orders particularly strong, but Chemicals and O&G project businesses low in Q3/21. MRO-driven business still impacted by tight customer demand
- South America MA Services and MRO-driven businesses developed well from Q3/20, but project orders low in Q3/21



Market activity in Pulp and Paper projects is expected to continue at a good level.

Market activity in Chemicals and Oil & Gas projects was weak in the first nine months of 2021. The market activity is expected to return to a satisfactory level during the next 6 months. Postponements of projects and global uncertainties continue to reduce visibility in the Chemicals and Oil & Gas project businesses.

Market activity was satisfactory for the Services and the customer Maintenance, Repair and Operations-driven (MRO) businesses during the first nine months of 2021. These markets are expected to continue to improve, reaching a good level at the beginning of 2022.

The ongoing challenges in global logistics, availability of electronic components and Covid-19 pandemic, continues to create uncertainty and risks of abrupt changes in all markets important to Neles.

The market outlook reflects the management's expectation for the next six months unless otherwise stated.

Market situation during the past four quarters							Market outlook for the next six months
	Q2/2020	Q3/2020	Q4/2020	Q1/2021	Q2/2021	Q3/2021	Q4/21-Q1/22
Pulp, Paper & Bio projects	Good	Good	Good	Good	Good	Good	Good
Chemicals and Oil & Gas projects	Good	Satisfactory	Satisfactory	Weak	Weak	Weak	Satisfactory
Services & MRO-driven businesses	Satisfactory/ Weak	Weak	Weak	Satisfactory	Satisfactory	Satisfactory	Satisfactory/Good

Market condition description: good – satisfactory – weak

Market outlook reflects management's expectation for the next six months unless otherwise stated.



Q3 highlights and results



Financials in detail

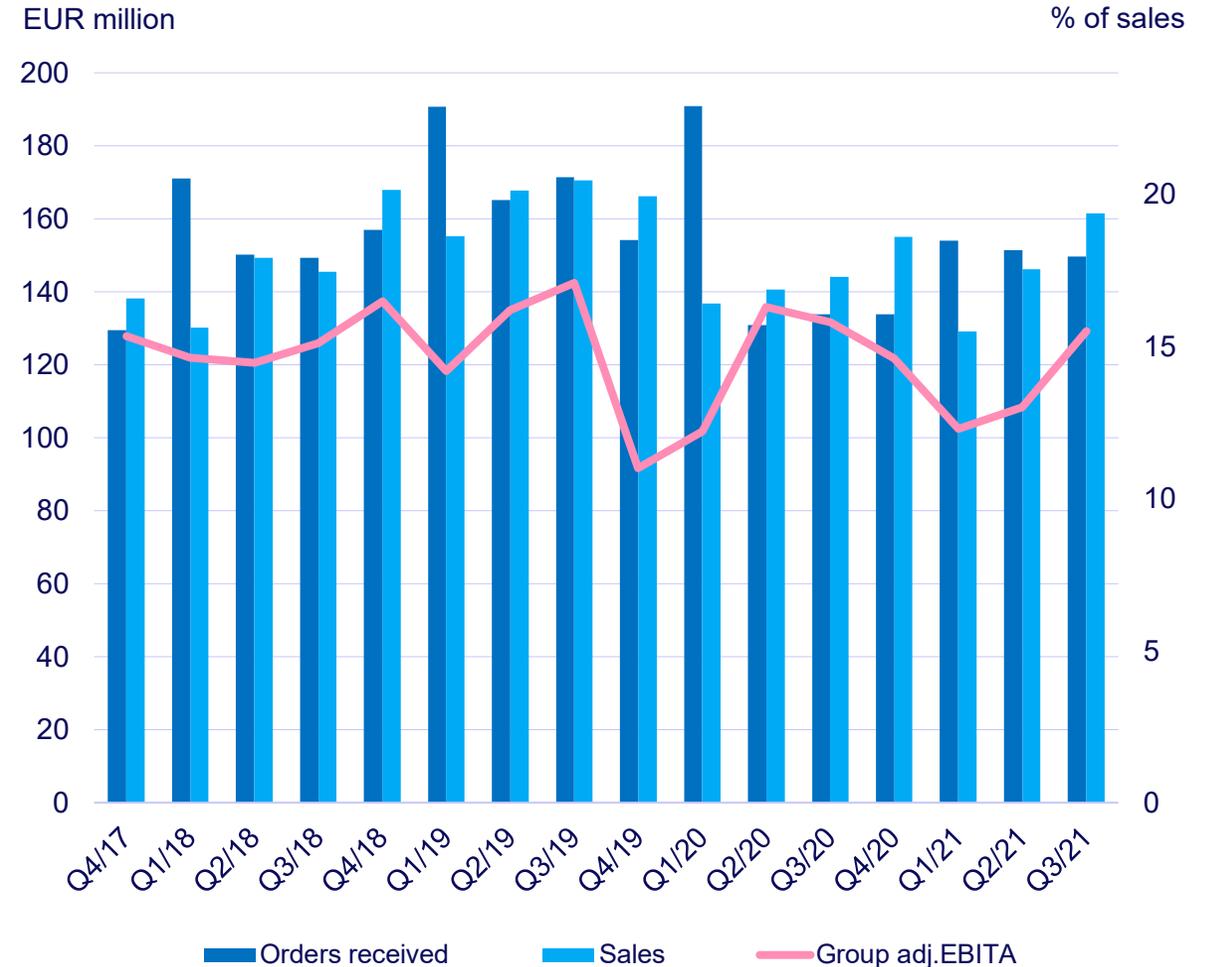


Strategy update and focus areas

Profitability driven by good sales volume

Group key figures – Q3/2021

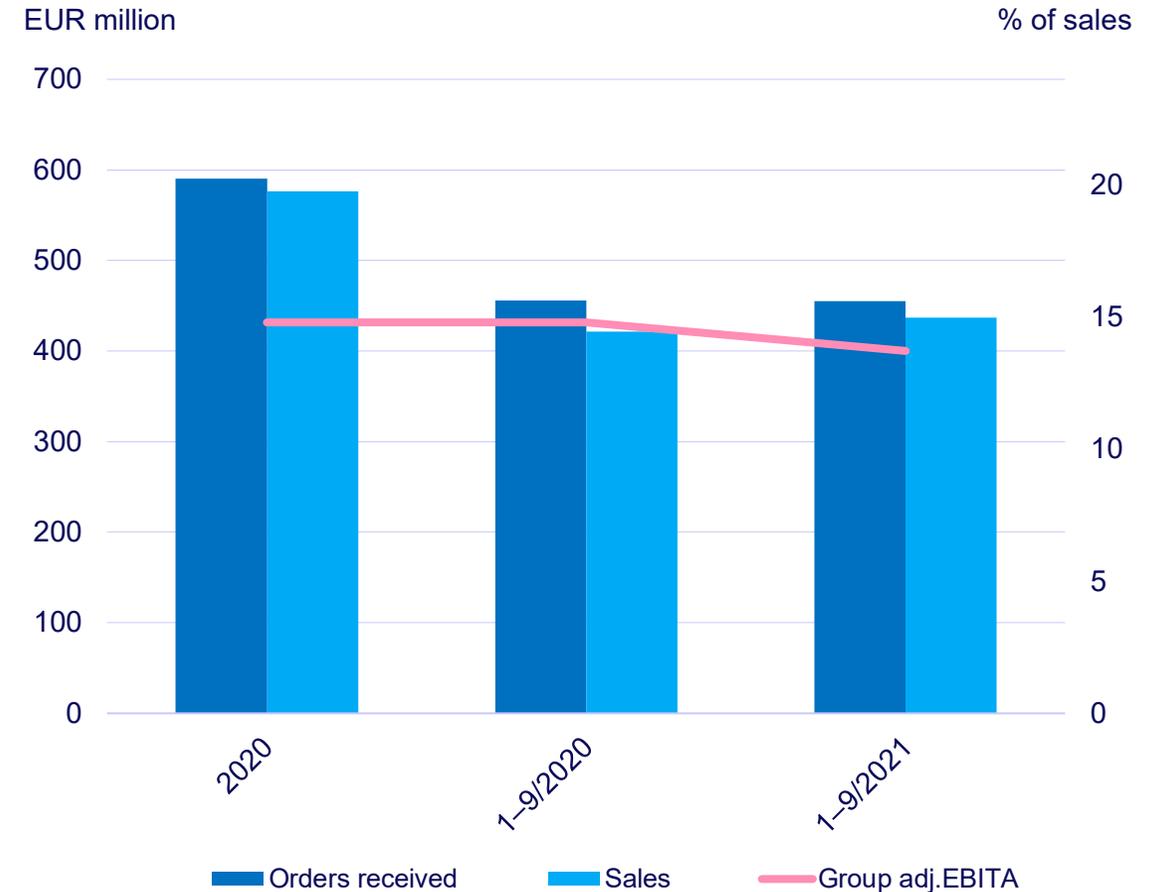
- Orders +12% from Q3/20 (comp. curr. +10%)
- Sales +12% from Q3/20 (comp. curr. +11%)
- Adj. EBITA +10% from Q3/20 at EUR 25.0 (22.8) million, or 15.5 (15.8) % of sales
 - Cost control continued during Q3/21 for fixed costs
 - In Q2/20, costs were lower due to further Covid-19 pandemic related cost saving actions, for example temporary layoffs
 - Profitability was negatively impacted by higher other operating income and expenses EUR -4.7 (-2.0) million
- Operating profit +2% to EUR 19.8 (19.5) million, or 12.3 (13.5) % of sales
 - In Q3/21 adj. items EUR 4.4 (2.4) M&A-related advisory costs and modification of the LTIPs relating to the Neles and Valmet merger



Services and MRO-driven businesses improving

Group key figures – Q1–Q3/2021

- Orders 0% from Q1-Q3/20 (comp. curr. +3%)
 - Services and MRO businesses orders +19% from Q1-Q3/20
- Sales +4% from Q1-Q3/20 (comp. curr. +7%)
 - Services and MRO businesses sales +7% from Q1-Q3/20
- Order backlog EUR 292.0 (292.8) million
- Adj. EBITA EUR 59.9 (62.4) million, or 13.7 (14.8) % of Sales
- Q1-Q3/21 adj. items EUR 5.3 (8.0) million were related to M&A-related advisory costs and modification of the LTIPs relating to the Neles and Valmet merger
- Operating profit EUR 52.2 (51.8) million, or 11.9 (12.3) % of Sales



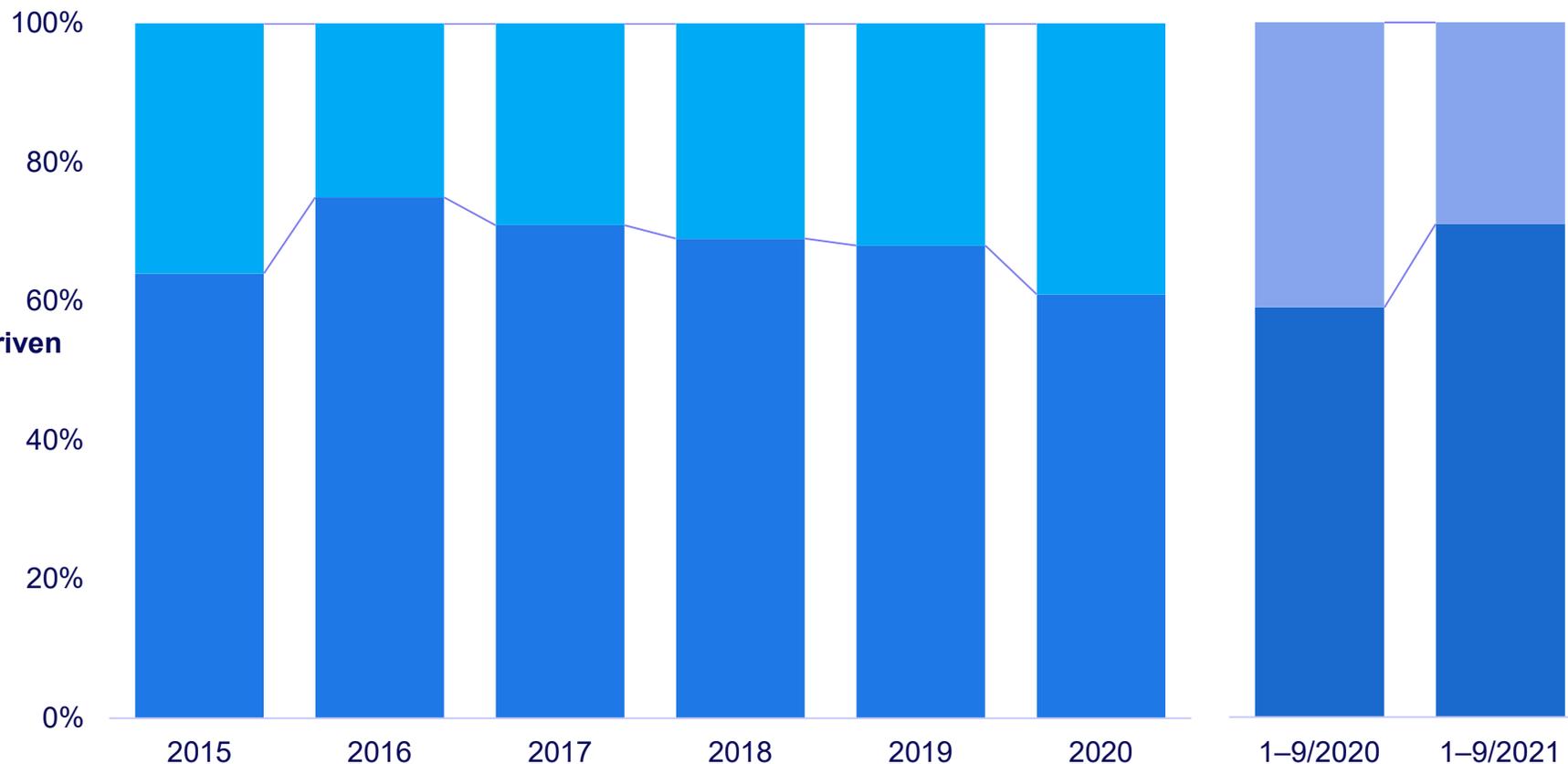
Share of Services and MRO-driven businesses increased clearly y-o-y

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Business type,
Orders received ¹

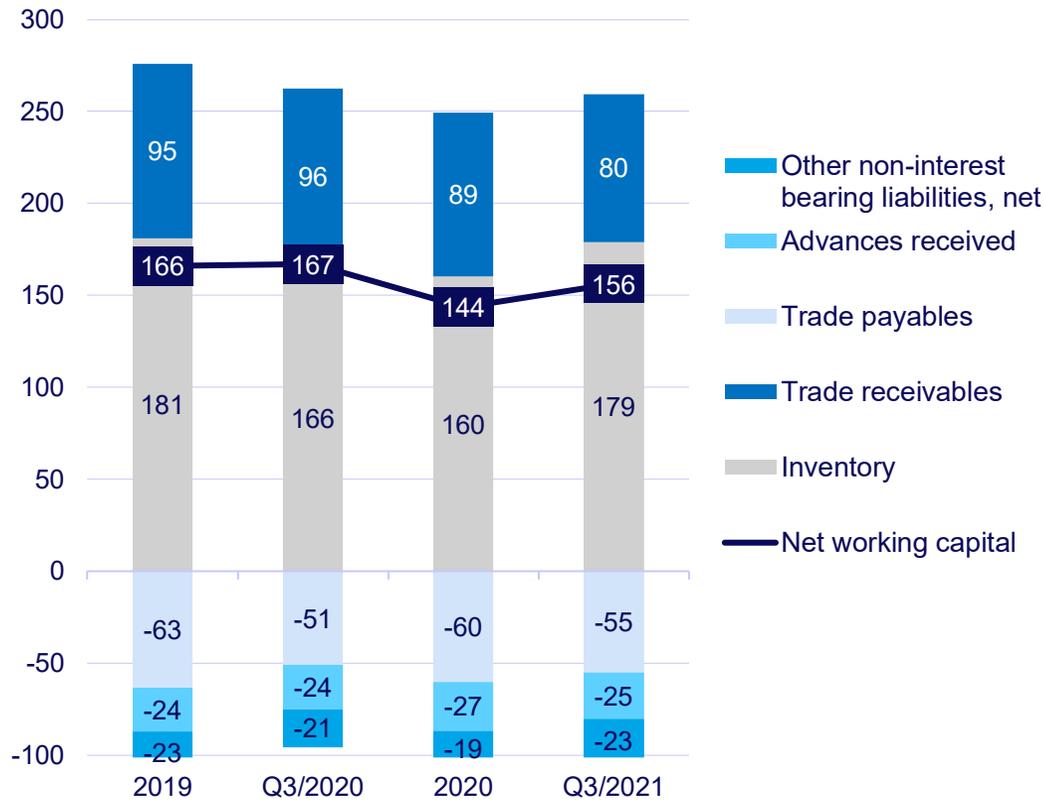
CAPEX-driven
business

OPEX-driven
Services and MRO-driven
businesses

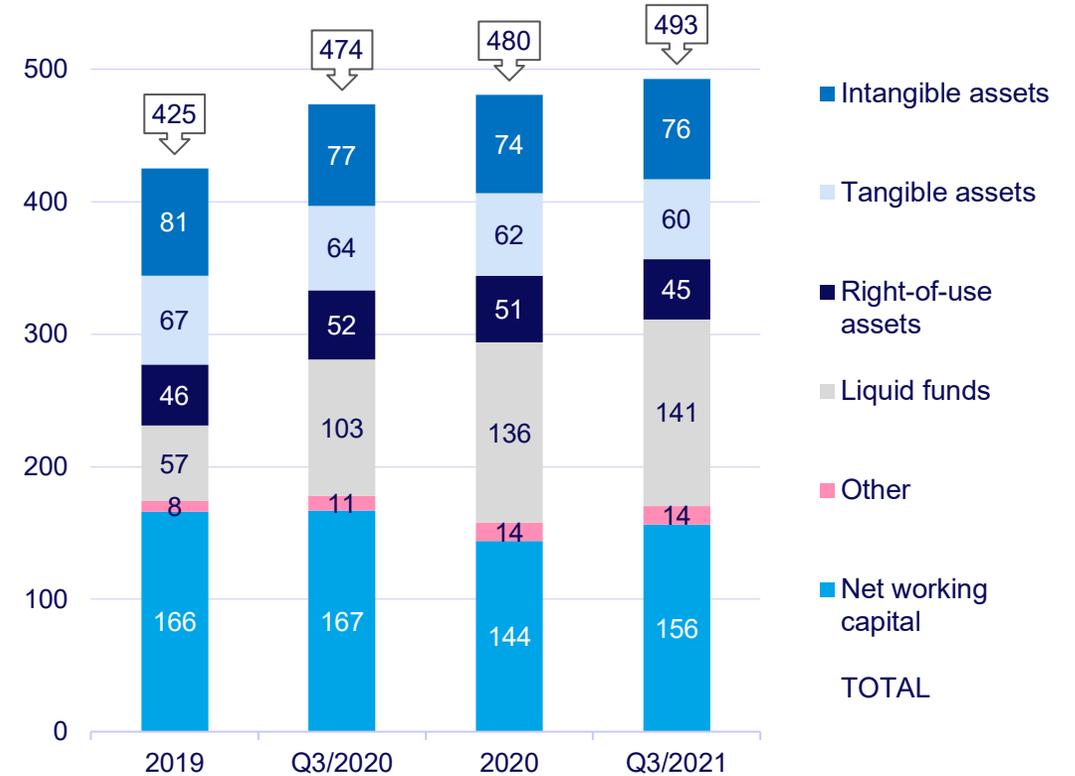


Logistics challenges and lack of electronic components impacted inventories

Net working capital, EUR million



Capital employed, EUR million



IFRS Income Statement

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EUR million	1–9/2021	1–9/2020	Change, %	2020
Sales	436.8	421.5	4	576.3
Adj. EBITA	59.9	62.4	-4	85.0
of Sales, %	13.7	14.8		14.8
Operating profit ¹	52.2	51.8	1	70.3
of Sales, %	11.9	12.3		12.2
Profit before taxes	48.1	47.5	1	63.8
Profit for the period, continuing operations	36.3	35.5	2	48.2
Earnings per share, continuing operations	0.24	0.24	2	0.32
Earnings per share, discontinuing operations	-	14.31	-	14.31 ²
Earnings per share, total	0.24	14.55	-	14.63

¹ In 1–9/2021, EUR 5.3 million adjusting items (negative impact of EUR 8.0 million in 1–9/2020 and EUR 11.3 million in 2020)

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

IFRS balance sheet

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EUR million	Sep 30, 2021	Dec 31, 2020	Key figures	Sep 30, 2021
Intangible assets	75.9	73.9	Net debt, EUR million	73.7
Tangible assets	60.2	62.3	Gearing, %	26.6
Right-of-use assets	45.4	50.5	Equity-to-assets ratio, %	43.2
Other non-current assets	34.2	30.6	Debt to capital, %	43.9
Inventories	179.1	160.3	Net debt/EBITDA ratio	0.8
Receivables (trade and other)	128.9	130.2	Return on capital employed, before taxes, %	14.4
Cash and cash equivalents	141.0	135.9		
TOTAL ASSETS	664.6	643.8		
Total equity	276.5	263.1		
Interest bearing liabilities	216.5	217.3		
Non-interest bearing liabilities	171.6	163.3		
TOTAL EQUITY AND LIABILITIES	664.6	643.8		

Cash Flow

NELES

EUR million	1-9/2021	1-9/2020	2020
Profit for the period	36.3	35.5	48.2
Adjustments	37.0	22.0	33.9
Change in NWC	-9.7	-5.8 ¹	17.1 ¹
Financial income and expenses paid, net	-4.1	-3.9	-6.4
Income taxes paid	-11.3	-5.4	-11.8
Net cash flow from operating activities	48.3	42.4	81.1
Capital expenditure on fixed assets	-5.5	-10.6	-12.6
Proceeds from and investments in financial assets, net	0.5	-	-0.5
Net cash flow from investing activities	-5.5	-10.5	-12.4
Free cash flow	42.8	31.9	68.7

¹ For the period of 1-12/2020, carve out related items are excluded from *Change in net working capital* and presented in *Financing, Metso Group*



Q3 highlights and results



Financials in detail



Strategy update and focus areas

Our customer promise

Reinventing reliability

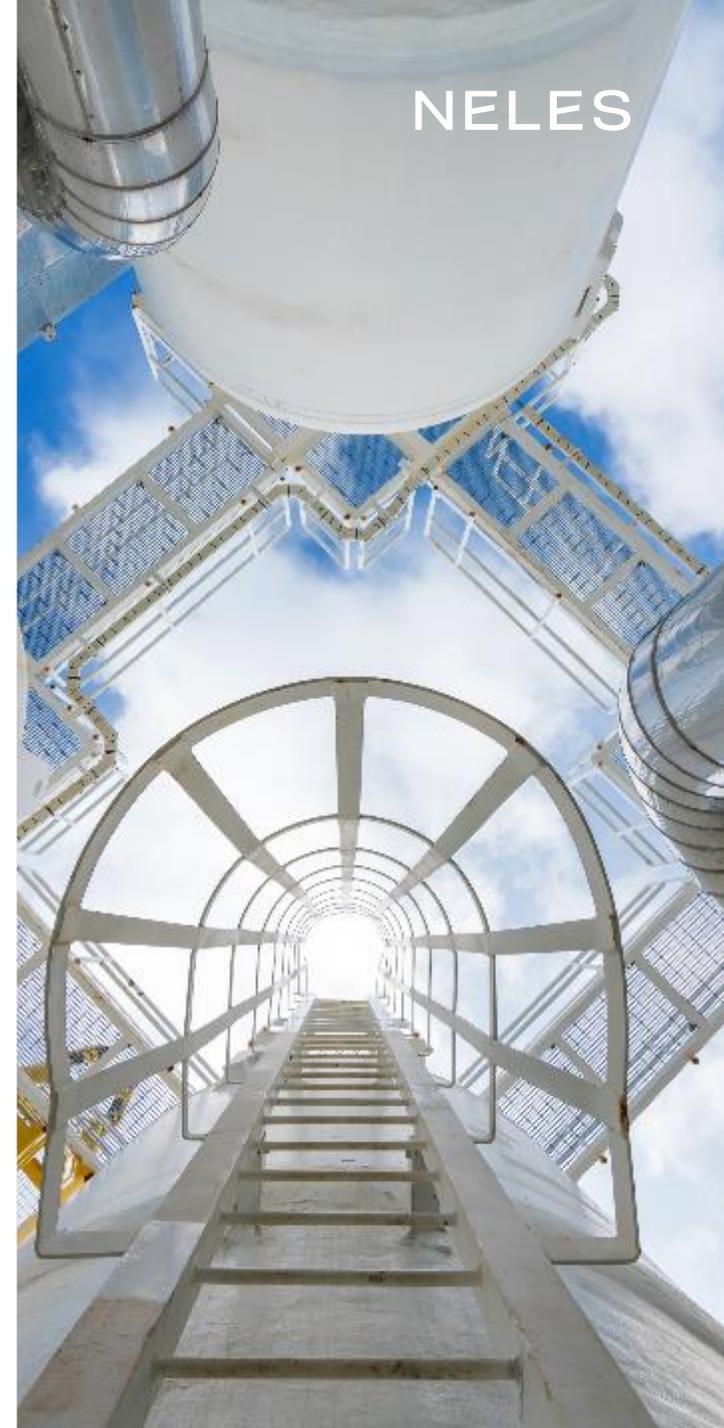
We draw on our long heritage, experience and know-how to feed our ambition to continuously develop and innovate solutions that redefine how process industries experience reliable flow control performance.

Growing through industry diversification

On July 27, 2021, Neles signed an asset purchase of Flowrox valve and pump businesses, closing in November

- **Diversification** of our customer industries is a key component of Neles' long-term growth strategy
- **Metals and Mining is a fast-growth sector**, with good long-term fundamentals and a different industry cycle than the currently served industries. It also has attractive characteristics with service intensity
- Neles has a small but growing business in the industry but **lacks a complete offering** as well as detailed **application knowledge, channel** and consequently **brand recognition** in the industry today
- **Flowrox is a well-known niche player in flow control** within mining and metals
- This acquisition **complements the current Neles offering and market exposure** well and helps fill the gaps we have in the mining and metals business

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Flowrox valve and pump businesses in brief

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Sales 2020

EUR **30** million

Founded in



1977

Employees transferring



~110

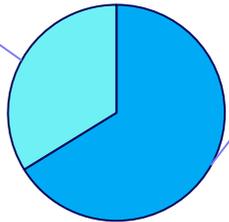
Channel partners and agents selling the product



~200

Industry split

Construction,
Energy,
Environment,
Chemical



Mining,
Metals,
Minerals

Manufacturing locations and major sales offices

- **Lappeenranta, Finland:** Company headquarters and main manufacturing facility
- Kouvola, Finland
- Baltimore, United States
- Johannesburg, South Africa
- Sydney, Australia

Sales presence

- Moscow, Russia
- Shanghai, China
- Mumbai, India
- Santiago, Chile
- Lima, Peru

Primary offering of Flowrox



Pinch valves



Knife gate valves



Hose pumps



Centrifugal pumps



PC pumps

Transaction and value creation

- **Purchase Price:** EUR 40.9 million + an additional orders received-based earn-out consideration of up to EUR 3 million for a one-year period after closing also payable in cash
- **Deal structure:** Asset purchase agreement, consisting of intangible and tangible assets as well as inventories and the Flowrox brand
- **Synergy areas:**
 - Cross-sales of the complementary products through the wide direct and channel presence
 - Project wins in mining and metals with a more comprehensive offering
 - Leveraging Neles' wide service presence to cater to Flowrox valves and pumps installed base
 - Packaging Flowrox valves and pumps products in Neles' other industries (Chemicals, Pulp and Paper)
- **Financial targets:**
 - EPS positive for Neles from 2022
 - Target 10% revenue growth with synergies from 2022 onwards
 - EBITA reaching Neles' communicated targets of >15% in about 3 years
- **Closing:** November 2021



Neles and Valmet merger

- On July 2, 2021, Neles announced that the Boards of Directors of Valmet Oyj and Neles Corporation have signed a combination agreement and a merger plan to combine the two companies through a merger. Both companies held an Extraordinary General Meeting on September 22, 2021, and both EGMs approved the merger. The planned closing date of the merger is January 1, 2022. The planned closing date may be delayed due to the regulatory processes ongoing. Should the closing be delayed from January 1, 2022, Valmet will issue a stock exchange release on the matter and the prospectus will be supplemented once there is more clarity on the timetable of the regulatory processes. Until the completion of the merger Valmet and Neles will carry out their respective businesses as separate and independent companies.
- The shareholders in Neles will receive 0.3277 new shares in Valmet for each share they hold in Neles as merger consideration.
- Among other conditions, the combination is subject to, the obtaining of merger control and other regulatory approvals, and an extra distribution of funds in the amount of a maximum of EUR 2.00 per share to the shareholders in Neles prior to the completion of the merger. Neles Board will make a separate decision regarding the distribution of funds closer to the closing of the merger.
- On July 2, 2021, Neles signed a EUR 301 million bridge-to-bond facility, the purpose of which is to finance the extraordinary distribution of funds prior to the completion of the merger. If executed, the facility term is 12 months, with two 6-month extension options.

Reinventing reliability

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