Financial Statements Review 2021:

Strong order intake and sales volume supporting solid profitability

Simo Sääskilahti, interim President and CEO

February 4, 2021
Merger consideration and forward-looking statements

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Important note about this financial information

In this Financial Statements 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.

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

- Q4 highlights
- 2021 Business review
- Financial review
Positive ending to a challenging year, 20% organic order growth in Q4

• Positive situation in Pulp, Paper and Bioproducts, as well as Services. MRO-driven business continued to recover
• Chemical and Oil & Gas projects’ market situation remained weak, with clear signs of improvement at the end of the year
• Solid profitability supported by good sales volumes
• Good free cash flow, especially in Q4
• The acquisition of Flowrox valves and pumps businesses was completed in November strengthening Neles’ position in the metals and mining markets
• An agreement to provide solutions for green hydrogen applications
• Board of Directors dividend proposal: EUR 0.266 per share
Good sales volume and business performance led to solid profitability in Q4

Group key figures – Q4/21 (Q4/20)

- Orders received EUR 170.4 (134.5) million, +27%, in comparable currencies/organic +20%
- Sales EUR 174.2 (154.9) million, +12%, in comparable currencies/organic +8%
- Services sales EUR 38.5 (35.4) million, +9%
- Adjusted EBITA EUR 26.8 (22.7) million, or 15% of sales, +18%
- Adjustment items EUR 1.9 (3.3) million
- Operating profit EUR 23.6 (18.5) million, or 14% of sales, +27%
Markets and operating environment in Q4

- NA: Orders grew by 61% compared to Q4/20 and 27% compared to Q3/21
- EMEIA: Orders grew by 14% compared to Q4/20, driven by the Services and MRO, project orders remained weak
- APAC: Orders grew by 11% compared to Q4/20 due to improved orders in the Services and MRO-driven businesses
- SA: Project orders had a positive impact in Q4/21. Good momentum in Services and MRO
## IFRS balance sheet

<table>
<thead>
<tr>
<th>EUR million</th>
<th>Dec 31, 2021</th>
<th>Dec 31, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intangible assets</td>
<td>111.5</td>
<td>73.9</td>
</tr>
<tr>
<td>Tangible assets</td>
<td>63.6</td>
<td>62.3</td>
</tr>
<tr>
<td>Right-of-use assets</td>
<td>45.8</td>
<td>50.5</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>31.7</td>
<td>30.6</td>
</tr>
<tr>
<td>Inventories</td>
<td>187.0</td>
<td>160.3</td>
</tr>
<tr>
<td>Receivables (trade and other)</td>
<td>128.2</td>
<td>130.2</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>132.4</td>
<td>135.9</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>700.2</strong></td>
<td><strong>643.8</strong></td>
</tr>
<tr>
<td>Total equity</td>
<td>304.0</td>
<td>263.1</td>
</tr>
<tr>
<td>Interest bearing liabilities</td>
<td>215.6</td>
<td>217.3</td>
</tr>
<tr>
<td>Non-interest bearing liabilities</td>
<td>180.7</td>
<td>163.3</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY AND LIABILITIES</strong></td>
<td><strong>700.2</strong></td>
<td><strong>643.8</strong></td>
</tr>
</tbody>
</table>

### Key figures

<table>
<thead>
<tr>
<th></th>
<th>Dec 31, 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net debt, EUR million</td>
<td>81.4</td>
</tr>
<tr>
<td>Gearing, %</td>
<td>26.8</td>
</tr>
<tr>
<td>Equity-to-assets ratio, %</td>
<td>45.2</td>
</tr>
<tr>
<td>Debt to capital, %</td>
<td>41.5</td>
</tr>
<tr>
<td>Net debt/EBITDA ratio</td>
<td>0.8</td>
</tr>
<tr>
<td>Return on capital employed,</td>
<td>15.4</td>
</tr>
<tr>
<td>before taxes continued operations, %</td>
<td></td>
</tr>
</tbody>
</table>
Market outlook

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

Market activity in the Chemicals and Oil & Gas project business was weak during 2021. The market activity is expected to return to a satisfactory level during the next 6 months.

Market activity was satisfactory/good for the Services and the Maintenance, Repair and Operations-driven (MRO) businesses during the fourth quarter of 2021. Positive development is expected to continue in these markets and reach a good level in the first half of 2022.

The ongoing challenges in global logistics, availability of electronic components and the 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 quarters

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Pulp, Paper &amp; Bio projects</td>
<td>Good</td>
<td>Good</td>
<td>Good</td>
<td>Good</td>
<td>Good</td>
<td>Good</td>
<td>Good</td>
<td>Good</td>
</tr>
<tr>
<td>Chemicals and Oil &amp; Gas projects</td>
<td>Good</td>
<td>Satisfactory</td>
<td>Satisfactory</td>
<td>Weak</td>
<td>Weak</td>
<td>Weak</td>
<td>Weak</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Services &amp; MRO-driven businesses</td>
<td>Satisfactory/Weak</td>
<td>Weak</td>
<td>Weak</td>
<td>Satisfactory</td>
<td>Satisfactory</td>
<td>Satisfactory</td>
<td>Satisfactory/Good</td>
<td>Good</td>
</tr>
</tbody>
</table>

Market condition description: good – satisfactory – weak
Market outlook reflects management’s expectation for the next six months unless otherwise stated.
Contents

- Q4 highlights
- 2021 Business review
- Financial review
Business highlights of 2021

• Good market situation continued in Pulp, Paper & Bioproducts projects
• Recovery in Services & MRO-driven businesses
• Continued progress in developing service concepts
• Several product advancements launched
• Strengthening position in mining & metals by acquisition of Flowrox valve and pump businesses
• Advances in green hydrogen business
• Several HSE records achieved
• Continued tight cost management to keep good profitability
Orders, sales and profitability improved, good recovery in Services

Group key figures – 2021 (2020)
- Orders received EUR 625.2 (590.1) million, +6%, in comparable currency/organic +7%
- Sales EUR 610.9 (576.3) million, +6%, in comparable currency/organic +7%
- Services sales EUR 148.1 (128.6) million, +15%
- Order backlog EUR 294.4 (270.3) million, +9%
- Adjusted EBITA EUR 86.8 (85.0) million, or 14% of sales, +2%
- Adjustment items EUR 7.2 (11.3) million, related to merger, acquisitions and changes in the long-term incentive plans
- Operating profit EUR 75.8 (70.3) million, or 12% of sales, +8%
Neles has shown resilience throughout the cycles

Orders received, MEUR

- **2011**: 475
- **2012**: 518
- **2013**: 577
- **2014**: 607
- **2015**: 591
- **2016**: 504
- **2017**: 555
- **2018**: 628
- **2019**: 681
- **2020**: 590
- **2021**: 625

**CAGR**
- **4.6%**
- **10.5%**
- **-13.3%**
- **+6.0%**

**Key Events**
- **2011-2013**: Operations improvement and global operations platform
- **2014-2015**: Cost reductions to ensure competitiveness in a downturn
- **2016-2018**: Multichannel growth, Services and VC&A growth, Offering renewal
- **2019-2021**: Covid-19 pandemic
Improved Services and MRO-driven businesses, continued success in P&P projects

Business type, Orders received

<table>
<thead>
<tr>
<th>Year</th>
<th>CAPEX-driven</th>
<th>OPEX-driven</th>
<th>Services and Maintenance, repair &amp; operations (MRO) businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>80%</td>
<td>20%</td>
<td>0%</td>
</tr>
<tr>
<td>2012</td>
<td>80%</td>
<td>20%</td>
<td>0%</td>
</tr>
<tr>
<td>2013</td>
<td>80%</td>
<td>20%</td>
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<tr>
<td>2014</td>
<td>80%</td>
<td>20%</td>
<td>0%</td>
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<tr>
<td>2015</td>
<td>80%</td>
<td>20%</td>
<td>0%</td>
</tr>
<tr>
<td>2016</td>
<td>60%</td>
<td>40%</td>
<td>0%</td>
</tr>
<tr>
<td>2017</td>
<td>60%</td>
<td>40%</td>
<td>0%</td>
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<td>2018</td>
<td>60%</td>
<td>40%</td>
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<tr>
<td>2019</td>
<td>60%</td>
<td>40%</td>
<td>0%</td>
</tr>
<tr>
<td>2020</td>
<td>60%</td>
<td>40%</td>
<td>0%</td>
</tr>
<tr>
<td>2021</td>
<td>60%</td>
<td>40%</td>
<td>0%</td>
</tr>
</tbody>
</table>

- Project business growth 2016-2020
- 2021 significant industry differences

1 2015 based on segment figures, 2016-2017 figures based on carve out figures; The 2018-2019 figures are based on continuing operations in the 2019 financial statements; The 2020 figures are based on Neles’ 2020 financial statements.
Sales diversification across customer industries

Share (%) of Neles 2021 sales

- Pulp, paper & bio: 31%
- Chemicals: 18%
- Gases: 8%
- Oil: 27%
- Other industries: 16%

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

Share (%) of Neles 2020 sales

- Pulp, paper & bio: 29%
- Chemicals: 29%
- Gases: 10%
- Oil: 24%
- Other industries: 16%

Incl. Mining & Metals, Power, Water treatment, Food & Bev, Pharma
Strong free cash flow due to active management of NWC

- Logistics challenges and risks of components shortages drew up inventories
- Good development in receivable turns
- Capex delayed to H2/21 and below estimated, some of the Capex postponed to 2022
Capital expenditure\(^1,2\), MEUR

<table>
<thead>
<tr>
<th>Year</th>
<th>% of Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>1.3%</td>
</tr>
<tr>
<td>2017</td>
<td>1.1%</td>
</tr>
<tr>
<td>2018</td>
<td>1.3%</td>
</tr>
<tr>
<td>2019</td>
<td>3.0%</td>
</tr>
<tr>
<td>2020</td>
<td>2.2%</td>
</tr>
<tr>
<td>2021</td>
<td>1.8%</td>
</tr>
</tbody>
</table>

Cash conversion\(^3\)

<table>
<thead>
<tr>
<th>Year</th>
<th>% of Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>261%</td>
</tr>
<tr>
<td>2017</td>
<td>155%</td>
</tr>
<tr>
<td>2018</td>
<td>123%</td>
</tr>
<tr>
<td>2019</td>
<td>52%</td>
</tr>
<tr>
<td>2020</td>
<td>142%</td>
</tr>
<tr>
<td>2021</td>
<td>137%</td>
</tr>
</tbody>
</table>

\(^1\) 2016-2017 financials based on carve-out numbers; 2018-2019 financials based on Metso’s “Continuing operations” as in 2019 annual report, 2020 financials based on Neles annual report in 2020
\(^2\) Capex numbers exclude M&A
\(^3\) Cash conversion rate, % = Free cash flow/profit for the period x 100

- 2016–2017: Maintenance investments
- 2018–2019: System renewal investments
- 2019: System renewal investments continued and investment in new factory in China and some machining capacity additions
- 2020: Continued investments in the new China factory (completed) and systems
- 2021: Continued investments in system renewals (ERP), operations development and R&D. Some of planned Capex postponed to 2022.
- 2022: Same emphasis in Capex as in 2021.
Board’s dividend proposal

Dividend proposal of EUR 0.266 per share (EUR 40 million), which corresponds to 70.3% of Neles net earnings

- ≥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 underlying\(^1\) net earnings paid as dividends

\(^1\)Net Earnings excluding amortizations resulting from future M&A
2022 Operative focus

- Neles’ new operating model implementation
- Flowrox integration
- Continued launches of product platform extensions
Reinventing reliability