

Valmet's proposal to start discussions on a statutory merger between Valmet and Neles

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Valmet has approached the Board of Directors of Neles with a proposal to start discussions on a potential statutory merger between Valmet and Neles

- Valmet announced 14.88 percent share acquisition of Neles' shares from Solidium Oy on June 17, 2020 and has gradually increased its ownership further to 29.5%.
- Valmet has today (September 29, 2020) approached the Board of Directors of Neles with a proposal to start discussions on a potential statutory merger between the two companies.
- Valmet sees that a combination of the two companies in the long-term would create excellent value for Valmet's and Neles' shareholders.
- A statutory merger between the companies require negotiations between the two companies. Even if such negotiations are initiated, there is no certainty that they will result in a final agreement.

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Valmet's way forward

Our Mission

Converting renewable resources into sustainable results

Our Strategy

Valmet develops and supplies competitive process technology, services and automation to the pulp, paper and energy industries.

We are committed to moving our customers' performance forward with our unique offering and way to serve.

Our Must-Wins

- Customer excellence
- Leader in technology and innovation
- Excellence in processes
- Winning team

Growth Accelerators

- Field services
- Industrial Internet and digitalization

Our Vision

To become the global champion in serving our customers

Our Values



Customers

We move our customers' performance forward



Renewal

We promote new ideas to create the future



Excellence

We improve every day to deliver results



People

We work together to make a difference

Megatrends

- Resource efficient and clean world
- Digitalization and new technologies
- Urban, responsible and global consumer

Valmet's financial targets

Growth



- Net sales for stable business to grow over two times the market growth
- Net sales for capital business to exceed market growth

Profitability



- Comparable EBITA: 10–12%

ROCE

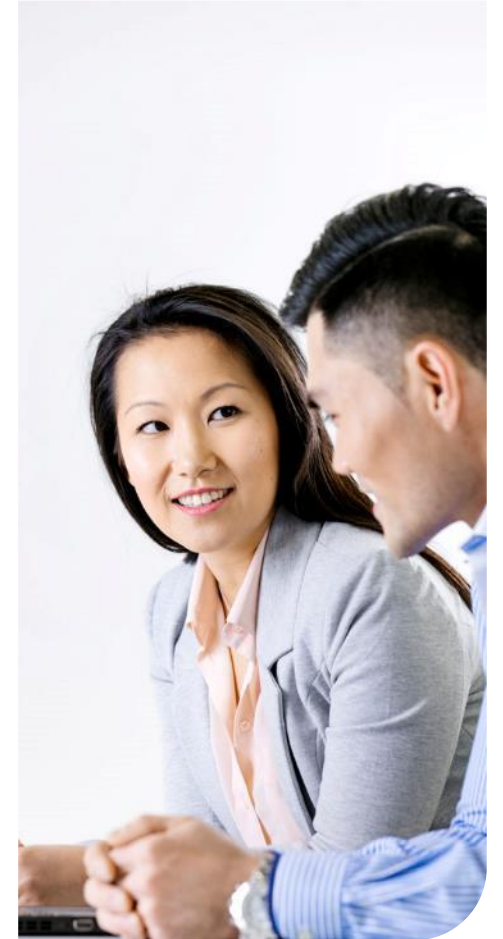


- Comparable return on capital employed (ROCE) before taxes¹: >20%

Dividend policy



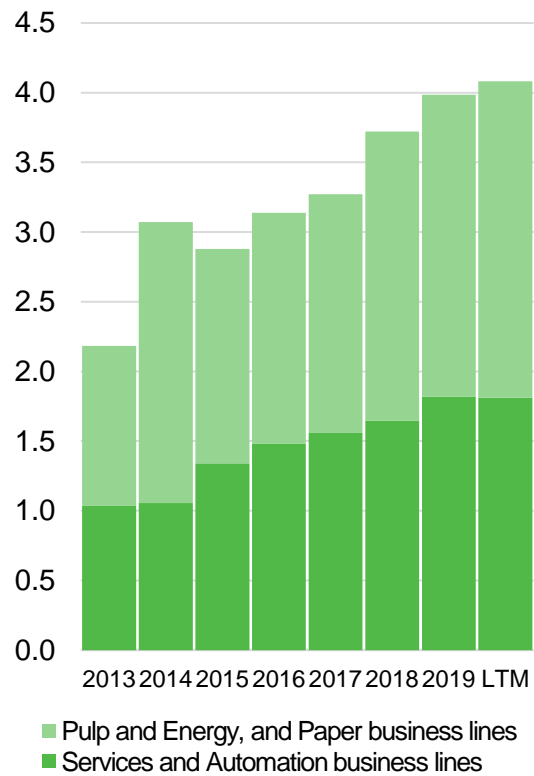
- Dividend payout at least 50% of net profit



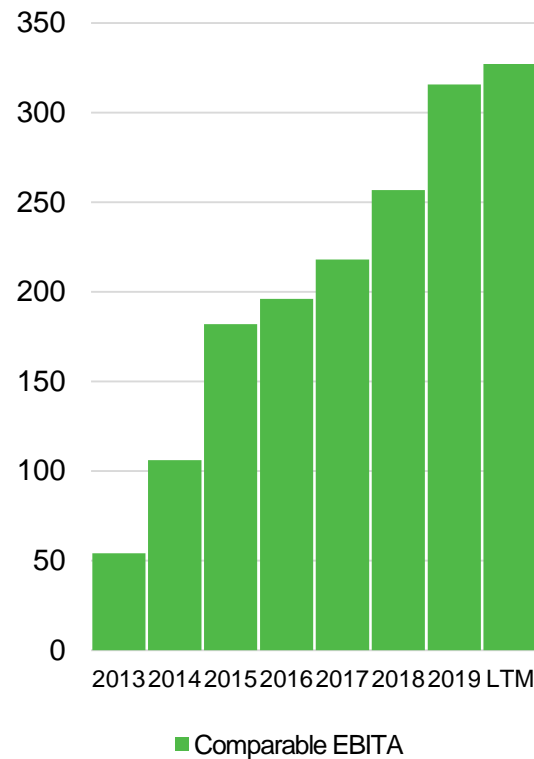
1) Comparable ROCE before taxes = (profit before taxes + interests and other financial expenses +/- items affecting comparability) / (balance sheet total - non-interest-bearing liabilities (average for the period))

Valmet's development since 2013

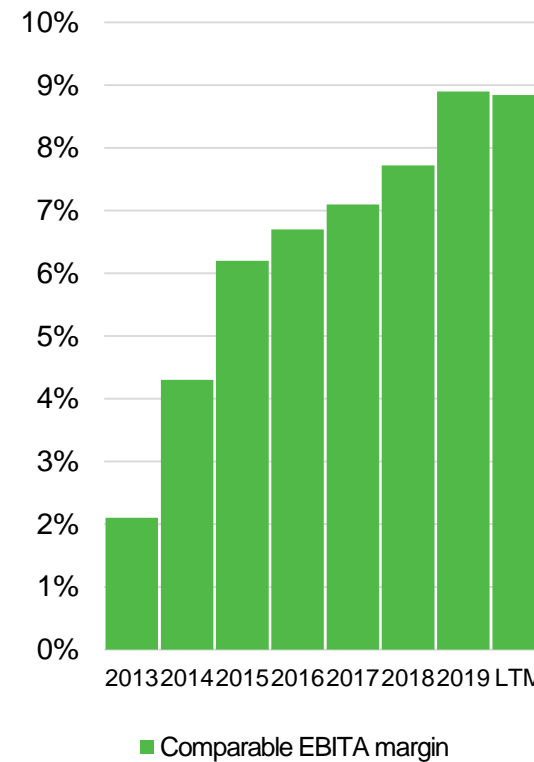
Orders received
(EUR billion)



Comparable EBITA
(EUR million)



Comparable EBITA margin
(%)



10-12%
Comparable EBITA target

328%
Total Shareholder Return since demerger

24%
Annualized Total Shareholder Return since demerger

2013 figures on carve-out basis

Valmet's acquisition strategy

Well considered acquisitions with clear industrial logic

- Focus on organic growth
- Selective acquisitions done to support growth

Acquisition themes

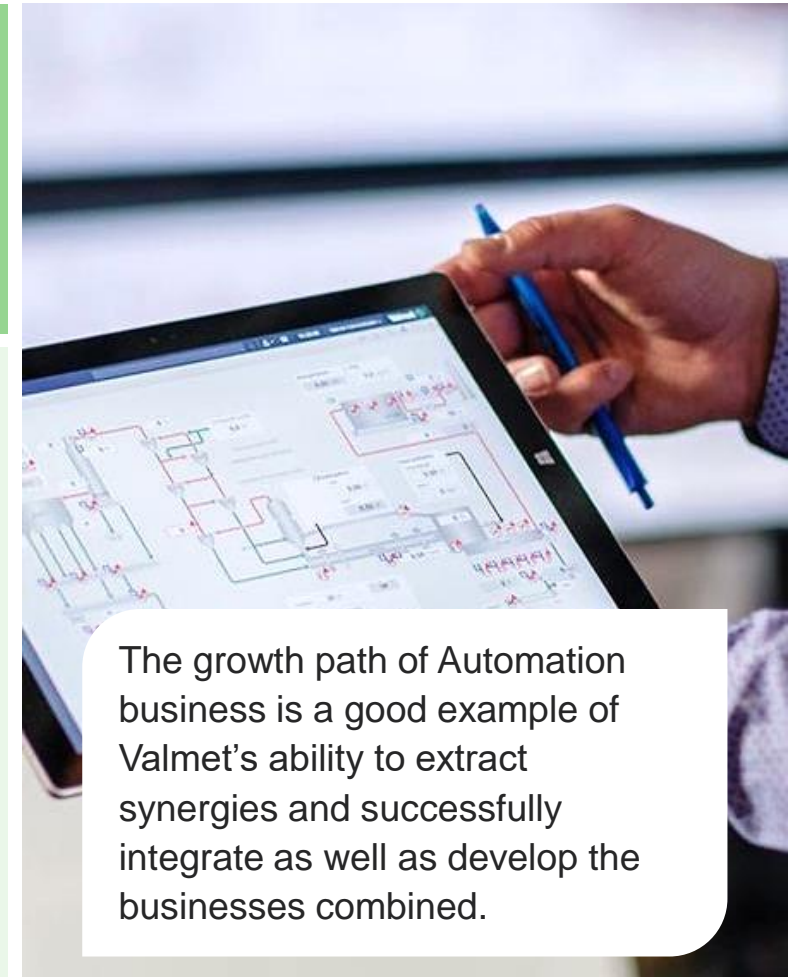
- **Strengthening Services**
 - Complementing existing portfolio
 - Expansion in consumables
- **Strengthening Automation**
 - Stronger Pulp & Paper automation
 - Expansion in Industrial Internet
 - Stronger presence in growth markets
- **Expanding business in pulp, paper and energy value chain**

Several successful acquisitions

- Process Automation Systems 2015
- MC machinery 2015
- Enertechnix 2018
- GL&V 2019
- J&L Fiber Services 2019
- PMP Group 2020 (signed 9/2020)

Automation business line

Orders received (EUR million)



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.

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1 Valmet's strategy and development

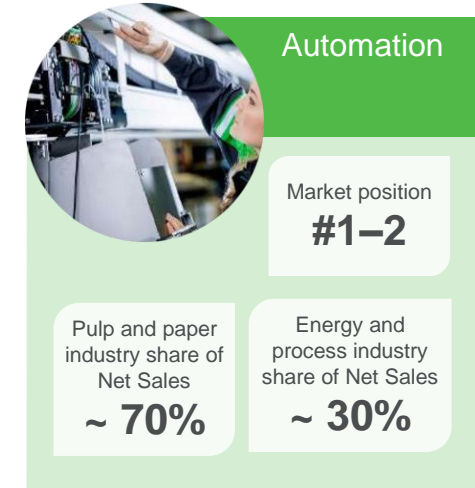
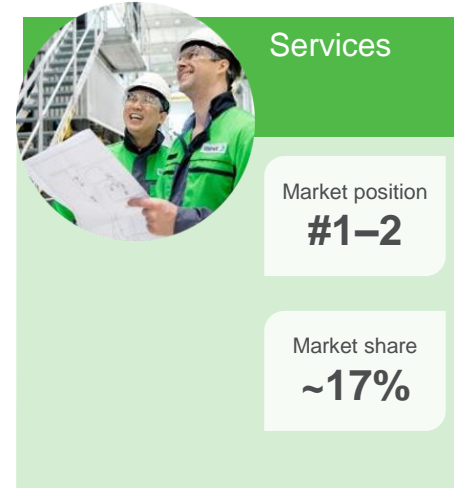
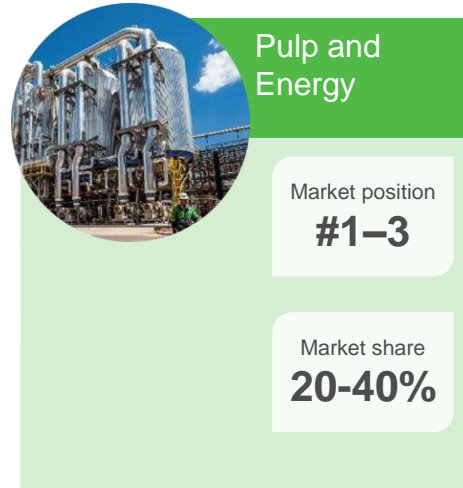
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Valmet today

A leading provider of process technologies, services and automation to pulp, paper and energy industries



220 years of industrial experience

Strong global presence with

- 100 service centers
- 96 sales offices
- 39 production units
- 16 R&D centers

6 consecutive years in Dow Jones Sustainability Index

Valmet's key figures in 2019

Orders received
EUR 3,986 million

Net sales
EUR 3,547 million

Comparable EBITA
EUR 316 million

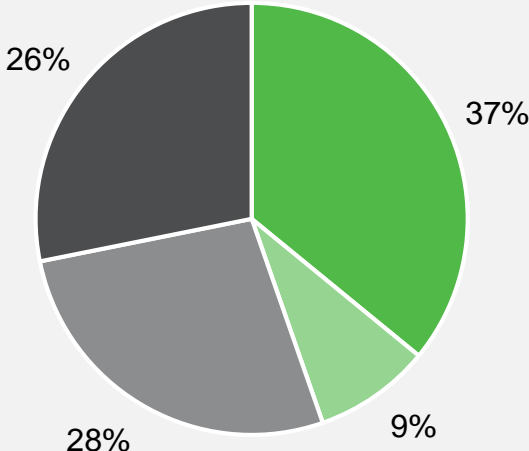
Comparable EBITA margin
8.9%

Gearing -23% (on June 2020)

Net debt (on June 2020)
EUR -223 million

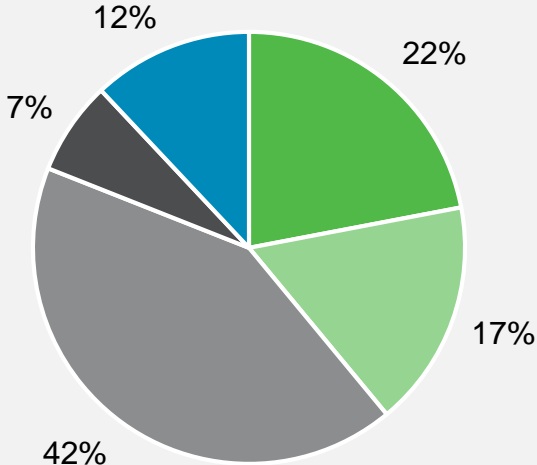
Employees (on Dec 31, 2019)
13,598

Orders received by business line



- Services
- Automation
- Pulp and Energy
- Paper

Orders received by area



- North America
- South America
- EMEA
- China
- Asia-Pacific

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Neles today

A strong niche player with especially solid position in certain segments of the valves market



- Flow control equipment and services company focused primarily on control valves and demanding on/off industrial valves



- Pulp and paper #1
- Oil and gas # 4-5
- Chemicals # 7



- 2,900 employees
- A globally balanced footprint of technology centers, factories and service centers



- Valves have a crucial role in increasing the safety and sustainability of the customer's production process

Neles' key figures

Orders received
EUR 681 million

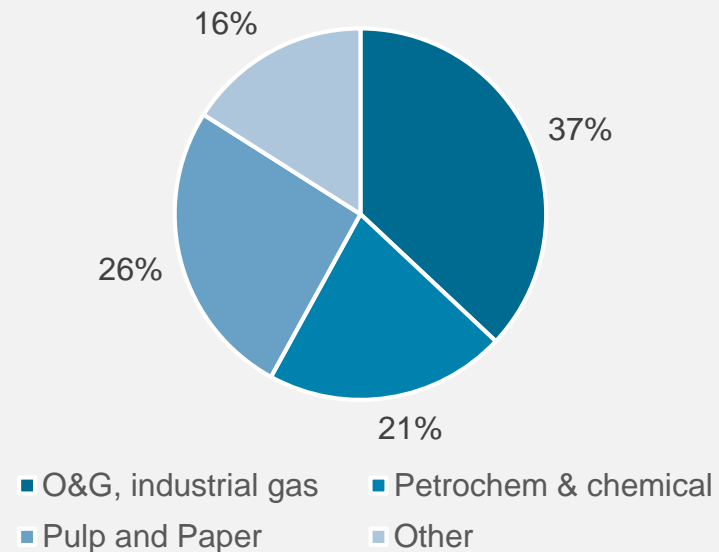
Net sales
EUR 660 million

Comparable EBITA
EUR 97 million

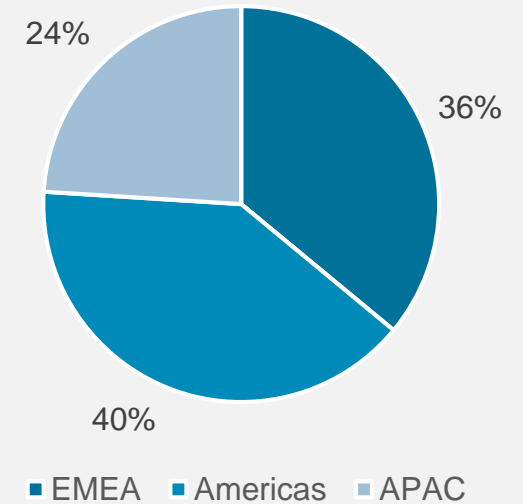
Comparable EBITA margin
14.6%

Employees
~2,900

Net sales by customer industry

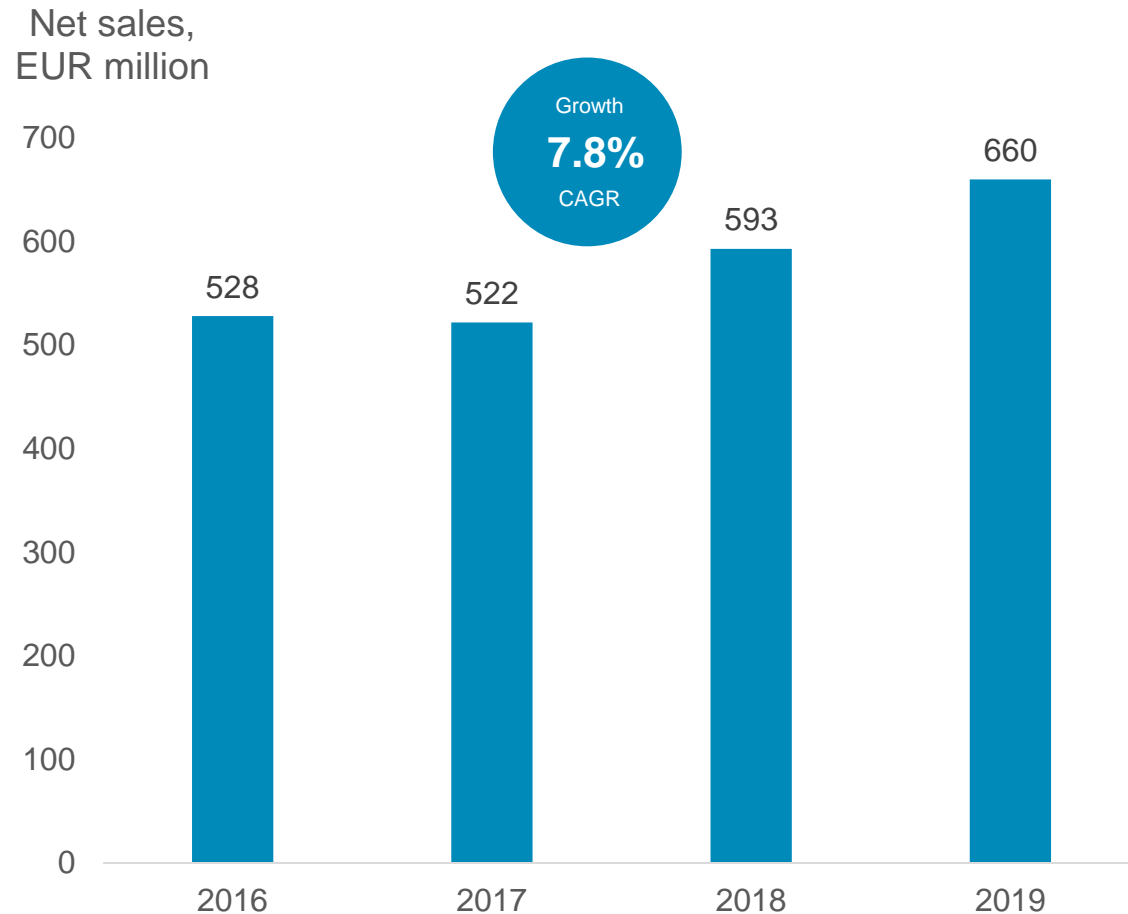


Net sales by area



Source: neles.com

Neles has a good track record for growth and potential to grow further



Source: neles.com

Neles' strategic actions to grow 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

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Valmet and Neles together

A Nordic based global leader with a unique offering for process industries

Process technologies



Paper

Market position
#1

Market share
~40%



Pulp and Energy

Market position
#1-3

Market share
20-40%

Services



Market position
#1-2

Market share
~17%

Automation

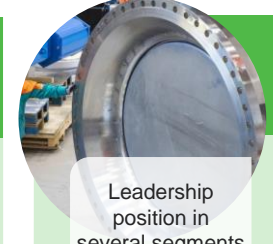


Automation systems

Market position
#1-2

Pulp and paper industry share of Net Sales
~ 70%

Energy and process industry share of Net Sales
~ 30%



Valves

Leadership position in several segments

Market position
#1
in pulp & paper

Pulp and paper industry share of Net Sales
~ 30%

Energy and process industry share of Net Sales
~ 70%

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



A unique and competitive offering

Paper

- Board, tissue and paper machines
- Modernizations and grade conversions

Pulp and Energy

- Pulp mills
- Multifuel boilers
- Environmental systems

Services

- Spare and process parts
- Production consumables
- Maintenance, shutdown and outsourcing services
- Process support and optimization

Automation

- Automation systems
- Valves
- Industrial Internet solutions



Focus on customer benefits

Stronger margin profile and globally balanced operations

Services ~32%, automation ~24% and process technologies ~44% of net sales (illustrative, based on 2019 figures)

Orders received
EUR 4,667 million

Net sales
EUR 4,207 million

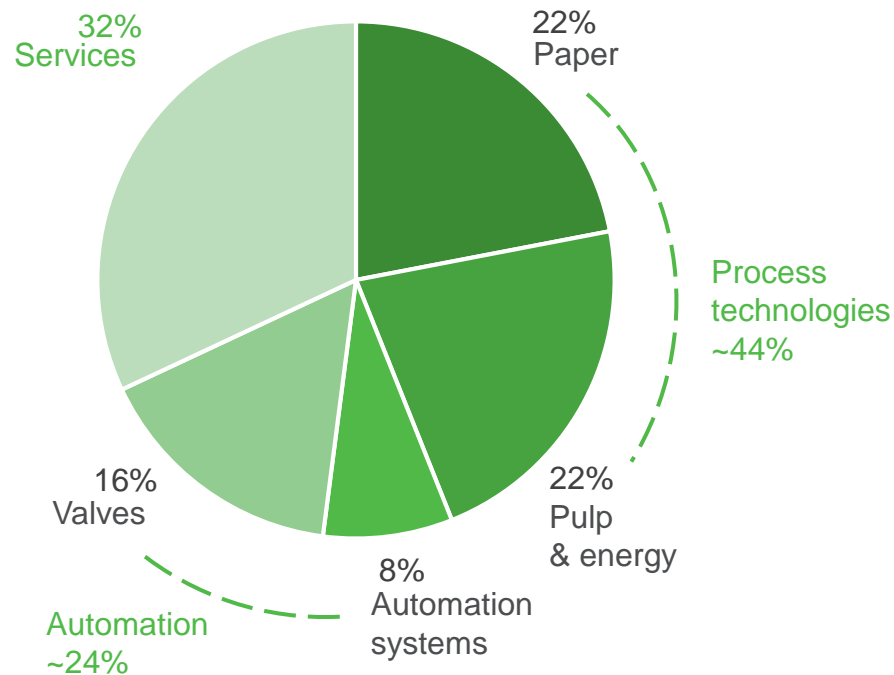
Comparable EBITA
EUR 413 million

Comparable EBITA margin
9.8%

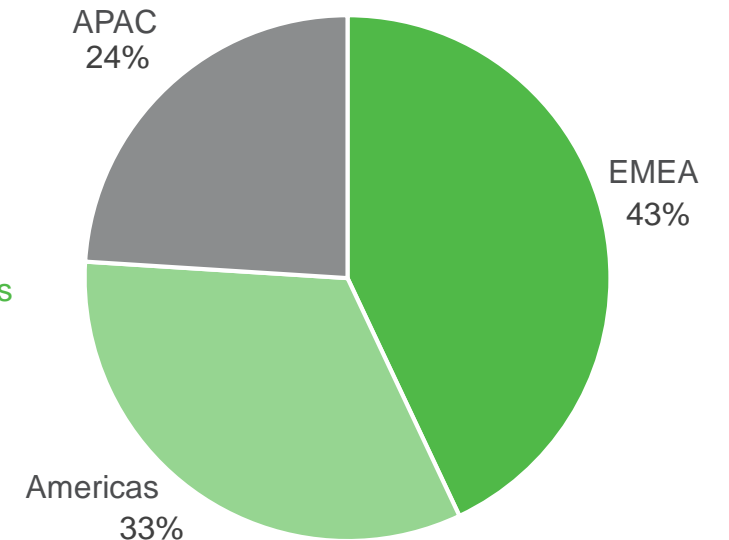
Order backlog
EUR 3,613 million

Employees
16,464

Net sales by segment



Net sales by area

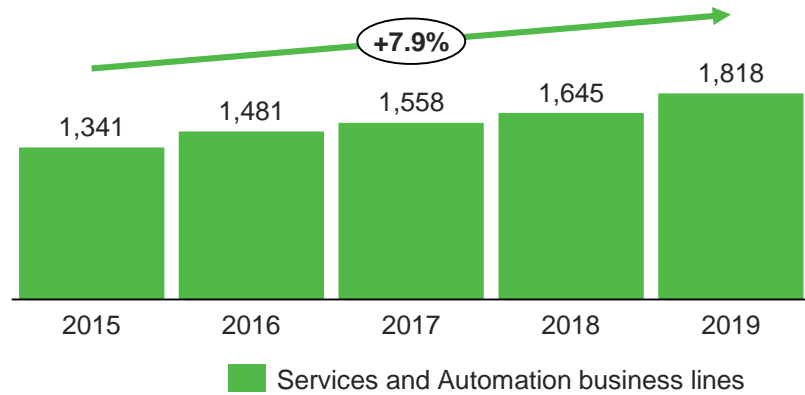


All figures are illustrative, based on 2019 figures

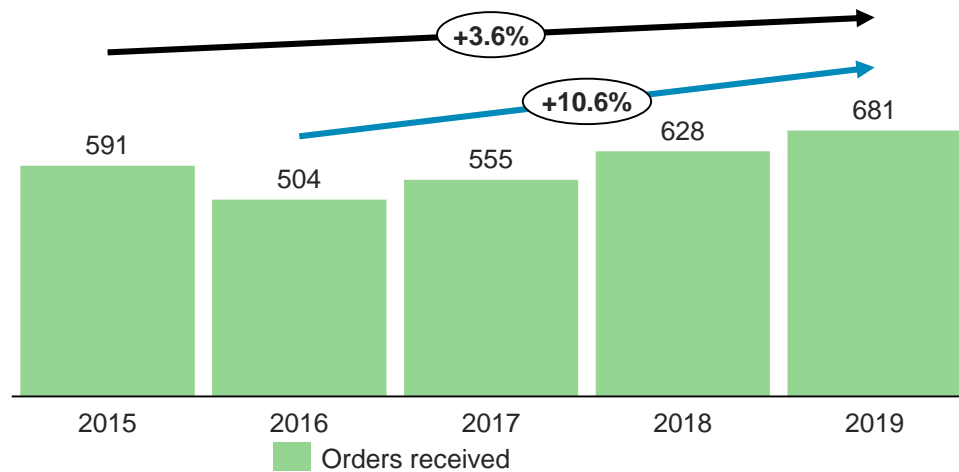
Increased share of high-margin and growing stable business

Stable business includes services, automation systems and valves

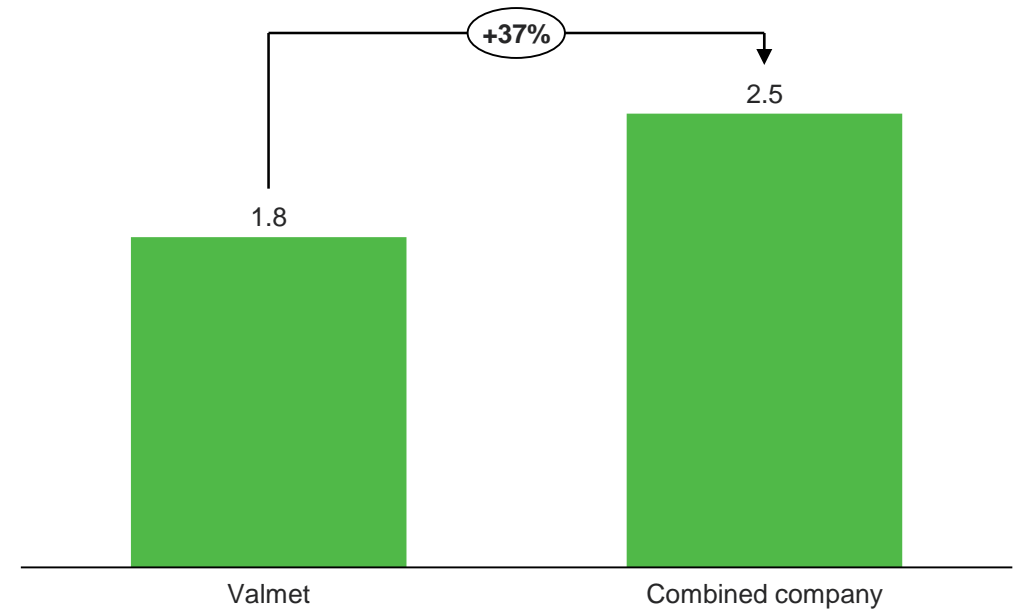
Valmet's stable business orders received



Neles orders received¹



Combined stable business orders received²



Combination of services, automation and valves would create 2.5bn stable and high-margin business

1) Based on Neles CMD 2020 material

2) 2019 financials

Leading in automation

A platform for further growth in automation business

Valves

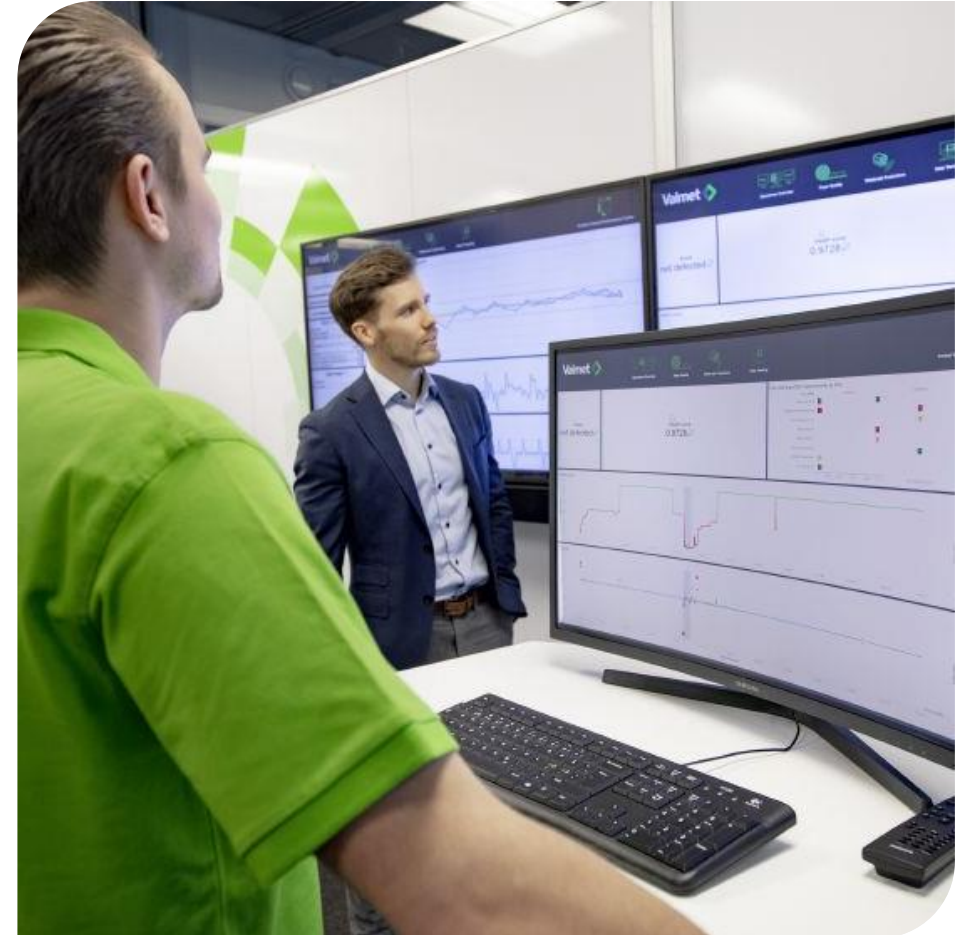
- Leading market position in valves and valve automation products
- Growth in current markets with Neles valve technologies and valve controls instrumentation
- Further penetration in selected segments including paper and biofuel

Automation systems

- Leading position in Pulp and Paper automation
- Growth by increased penetration into energy and process industry end-markets
- Enhancement of existing paper and pulp process automation capabilities through more comprehensive offering

Automation products and software

- Platform for further growth through acquisitions in the broader automation space: valves, systems and automation products



Tangible revenue, technology development and cost synergy potential

Easy and low-risk integration

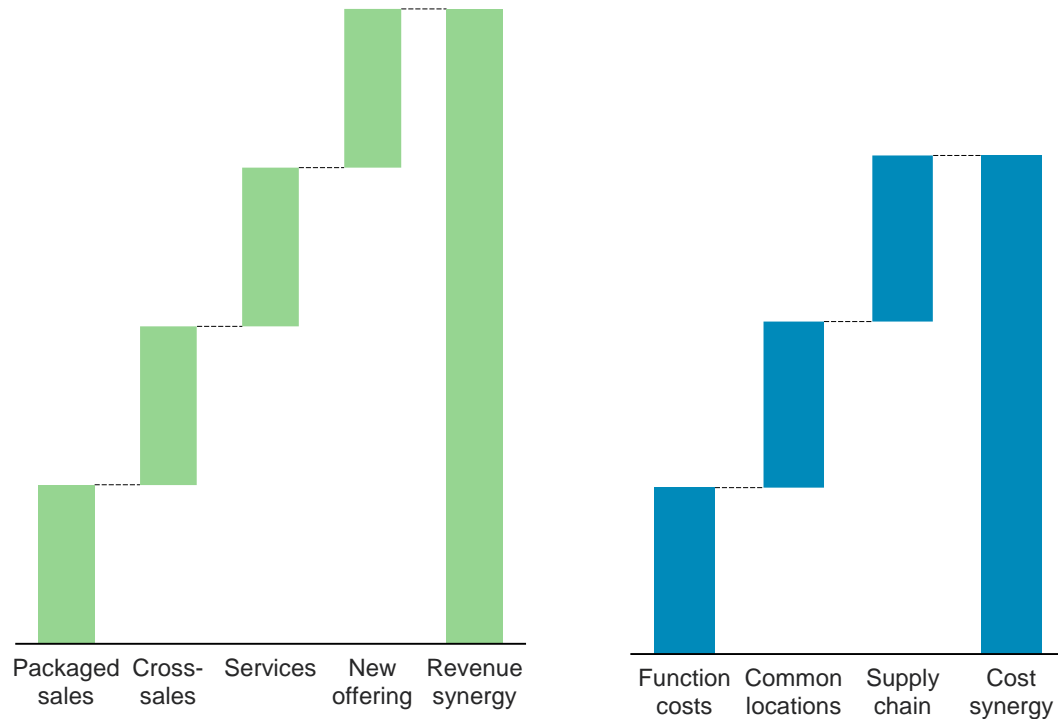


Illustration of synergy potential

Combination would provide multiple benefits for both companies

Sales and offering

- Improved package 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
- Improved process automation technology development

Costs

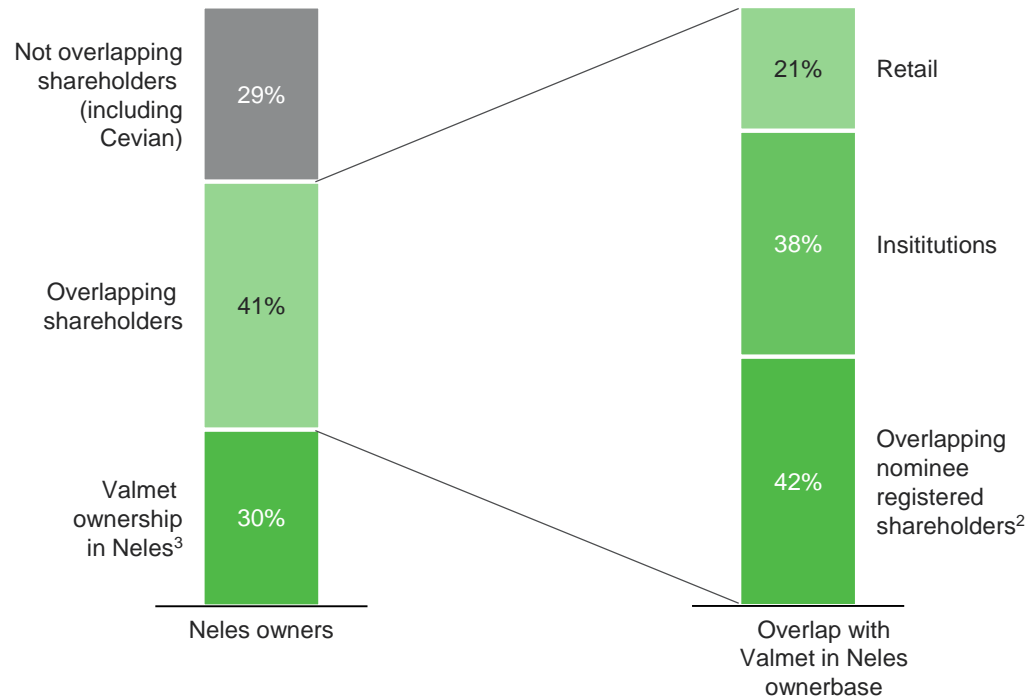
- Combined global and country-driven functions and listed company related cost savings
- Common locations
- More efficient supply chain and procurement cost savings

Easy and low-risk integration with fast synergy realization

- Same heritage, similar management models and values
- Valmet's strong track record

Value to all shareholders

Large overlapping shareholder base¹ between Valmet and Neles



Highly overlapping shareholder base – allowing shareholders to benefit in significant upside through existing holdings in both Valmet and Neles.

The potential merger would create value to all shareholders through

- Enhanced strategic positioning
 - A large share of stable, recurring and profitable services, automation systems and valves business
 - Platform to grow automation systems and valves businesses
 - Financial capacity to execute on strategy
- Synergy potential including revenue, technology development and cost synergies
- Possibility to optimize the combined company's balance sheet
- Merger being a tax neutral structure for Finnish shareholders

Notes: 1) Based on Valmet and Neles shareholder lists as of 23/9/2020 from Euroclear, 2) Nominee registered shareholders based on illustrative information from Modular Finance as of 22/09/2020 3) Valmet ownership of 29.5% as of 28/09/2020 and new Valmet acquired shares between 23/9 and 28/9 assumed to come pro-rata from Retail, Institutions, Overlapping Nominee registered and Not overlapping shareholders

Summary

- A statutory merger between Valmet and Neles would create a solid and strong, Nordic based global leader
- We believe that a merger provides the best potential for long-term value creation for shareholders



