

NELES

Interim Report January – September 2020:

Focus on business performance and profitability

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October 28, 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 the 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 partial demerger of Metso Group took place on June 30, 2020, and the continuing operations renamed 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 Interim Report, 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.



Q3 highlights and results



Financials in detail



Strategy update and focus areas

Highlights of Q3

- Solid adjusted EBITA margin despite the still challenging Covid-19 pandemic situation, supported by cost saving actions
- Success in winning project orders
- Pulp and Paper projects continued at a good level
- Activity in Oil and Gas projects weaker, as expected in H1
- Increased market activity in Services and MRO-driven businesses, but recovery slower than previously anticipated
- Large maintenance shutdowns postponed and tightening cash management by customers
- New state-of-the-art technology center opened and in operation in Jiaxing, China
- Public Tender Offer from Alfa Laval and stake building by Valmet

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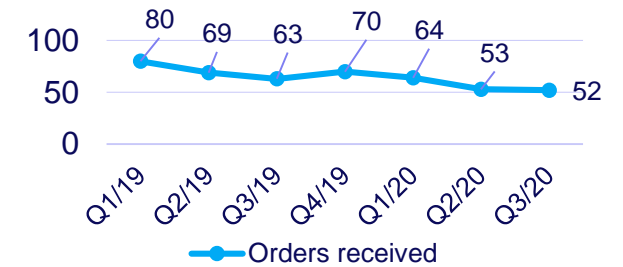
Markets and operating environment

- NA: Gradual recovery during Q3, market still subdued
- EMEIA: Continued to decline from Q2, mainly due to Oil and Gas projects
- APAC: Orders increased from Q2. Healthy activity in Pulp & Paper and Oil & Gas projects in China
- SA: Business on a good level. Peak of Pulp & Paper project orders has passed

North America



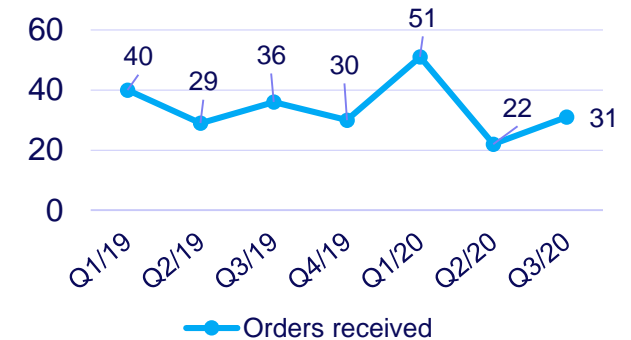
EMEIA



South America



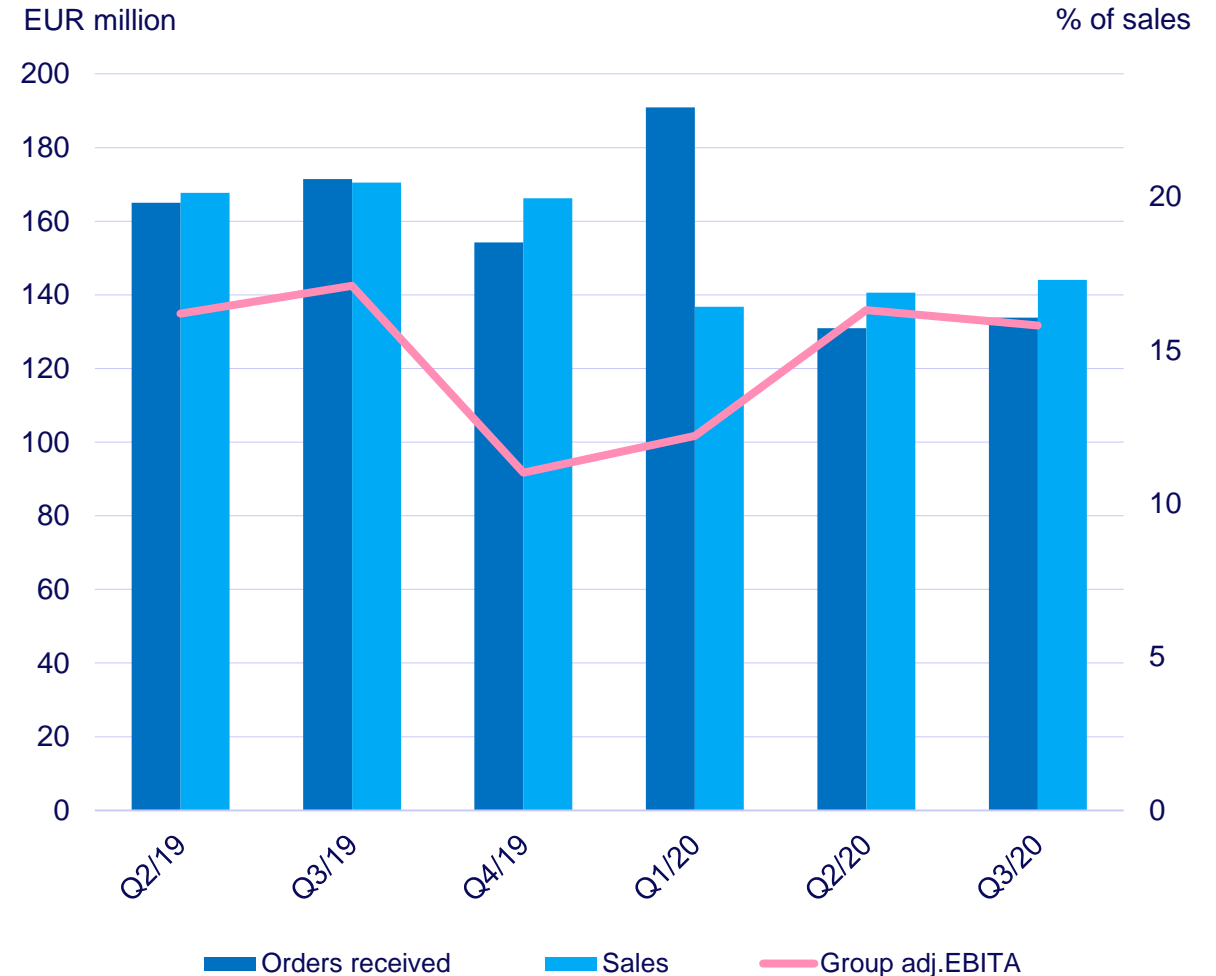
APAC



Focus on cost management and business performance in Q3

Group key figures – Q3/2020

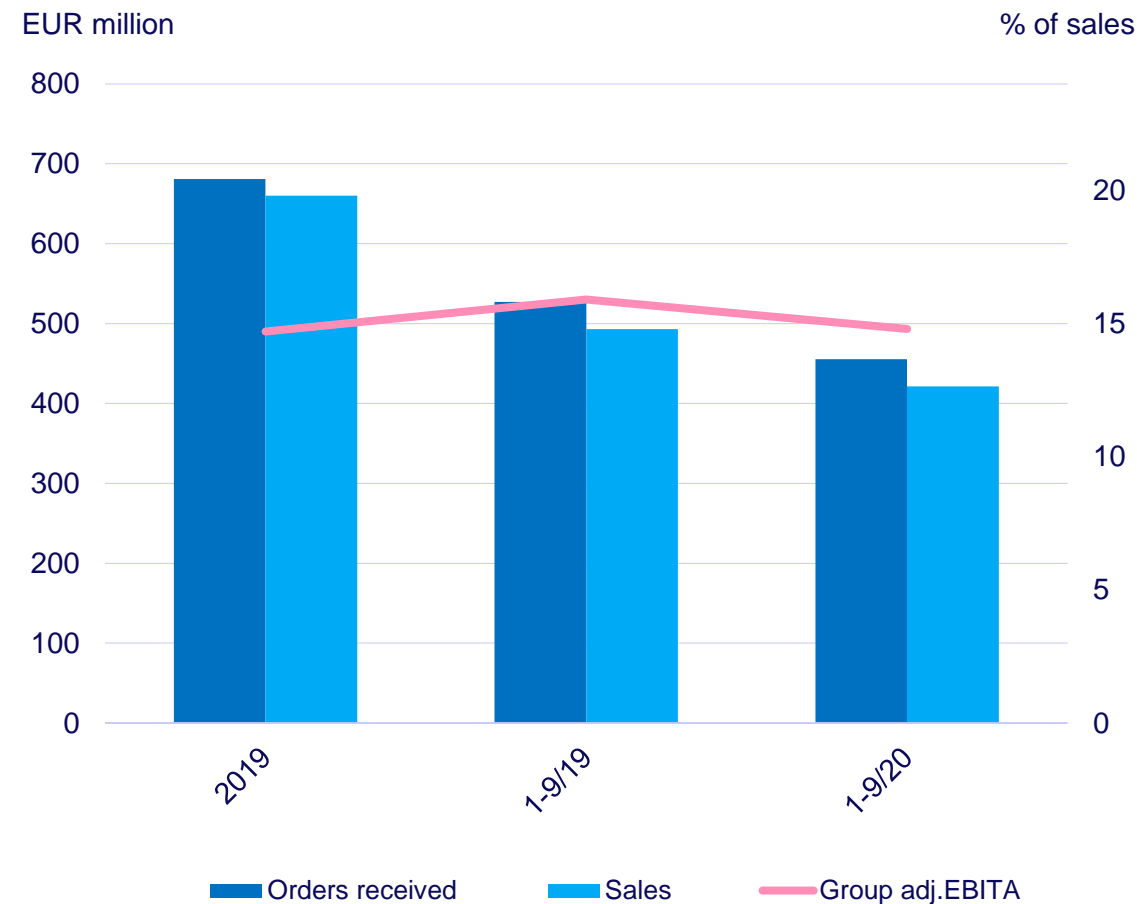
- Orders received EUR 134 million, down 22% y-o-y (organically -15%)
- Sales EUR 144 million, down 15% y-o-y (organically -10%). Services sales down 16% y-o-y
- Adjusted EBITA EUR 23 million or 15.8% of sales, down 18% y-o-y
- Adjustment items EUR 2.0 million were attributable to advisory, IT and other costs related to creation and rebranding of Neles as well as setting up a new operating structure
- Operating profit EUR 19 million or 13.5% of sales, down 30% y-o-y



Orders and sales impacted by Services and MRO-driven businesses

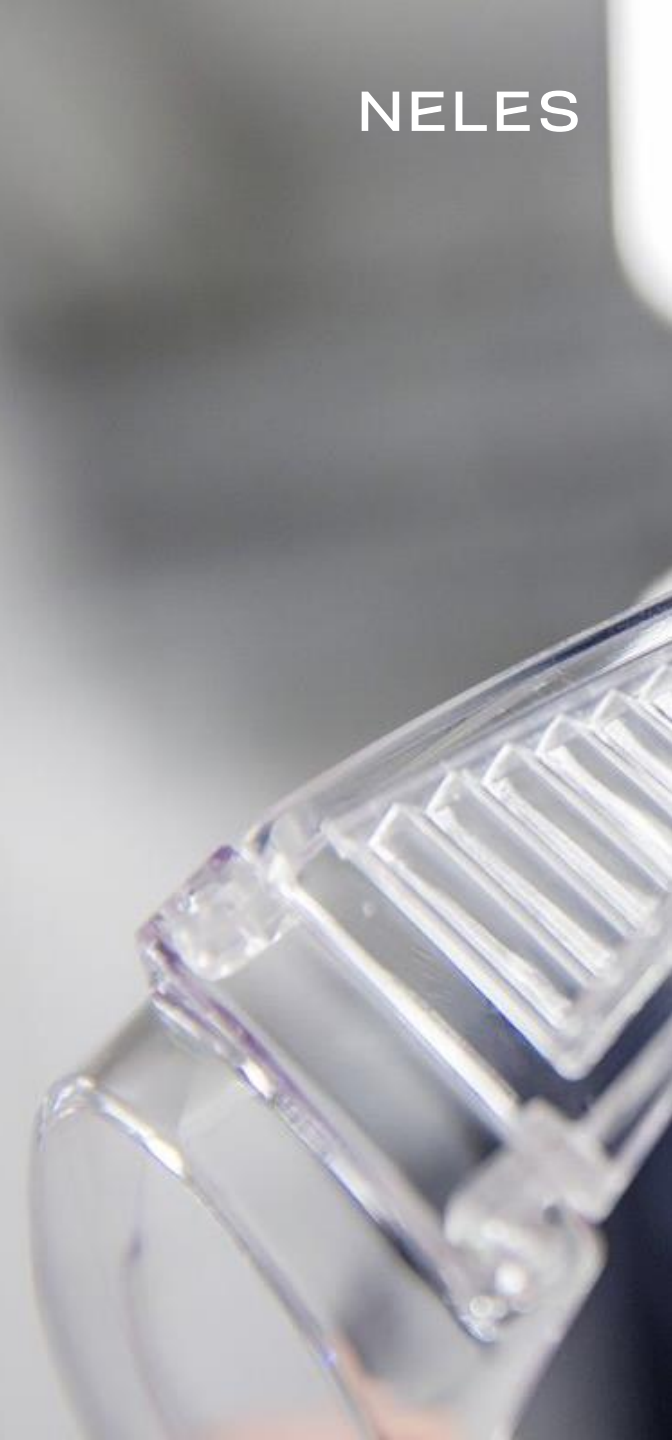
Group key figures – Q1-Q3/2020

- Orders received EUR 456 million, down 13% (organically -10%). Sales EUR 421 million, down 15% y-o-y (organically -12%). Services sales down 14% y-o-y
- Order backlog EUR 293 million, down 1% y-o-y, up 5% from YE2019
- Adjusted EBITA EUR 62 million or 14.8% of sales, down 21% y-o-y
- Adjustment items EUR 8.0 million were attributable to advisory, IT and other costs related to the creation and rebranding of Neles as well as setting up a new operating structure
- Operating profit EUR 52 million or 12.3% of sales, down 31% y-o-y



Actions taken to adjust to the COVID-19 pandemic situation

- Employee safety and protection as a priority
- New ways of remote working implemented
- Cash collection and attention to managing NWC
- Both permanent and temporary savings actions, temporary actions mostly ended on September 30
- Some delays in deliveries from suppliers in Q3
- Factories working following guidance of local authorities
- No material credit losses or order cancellations



Market outlook

- Market activity in Pulp and Paper projects is expected to continue at a good level.
- Market activity in Oil and Gas projects is expected to continue to decline from the good level in the first half of the year, due to general economic concerns.
- Postponements and global uncertainties are reducing visibility in the Oil and Gas project business.
- Market activity for Services and the customer MRO-driven businesses is expected to gradually improve from the suppressed levels during the reporting period, because customers' operations are resuming to a more normal level.
- Large shutdowns are still being postponed due to the Covid-19 pandemic situation and customers' tightening cash management actions.
- The ongoing Covid-19 pandemic continues to create uncertainties and risks of abrupt changes in all markets.





Q3 highlights and results



Financials in detail



Strategy update and focus areas

IFRS Income Statement

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EUR million	1-9/2020	1-9/2019	Change, %	2019
Sales	421	493	-15	660
Adj. EBITA	62	78	-21	97
of Sales, %	14.8	15.9		14.7
Operating profit ¹	52	75	-31	93
of Sales, %	12.3	15.3		14.0
Profit before taxes	47	75	-36	91
Profit for the period, continuing operations	36	57	-37	69
Earnings per share, continuing operations	0.24	0.38	-37	0.46
Earnings per share, discontinuing operations	14.31 ²	1.14	-	1.54
Earnings per share, total	14.55	1.52	-	2.00

¹ Impact of adjusting items of EUR 8.0 million negative in 1-9/20 and EUR 0 million in 1-9/19 and 2019

² 1-9/2020 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

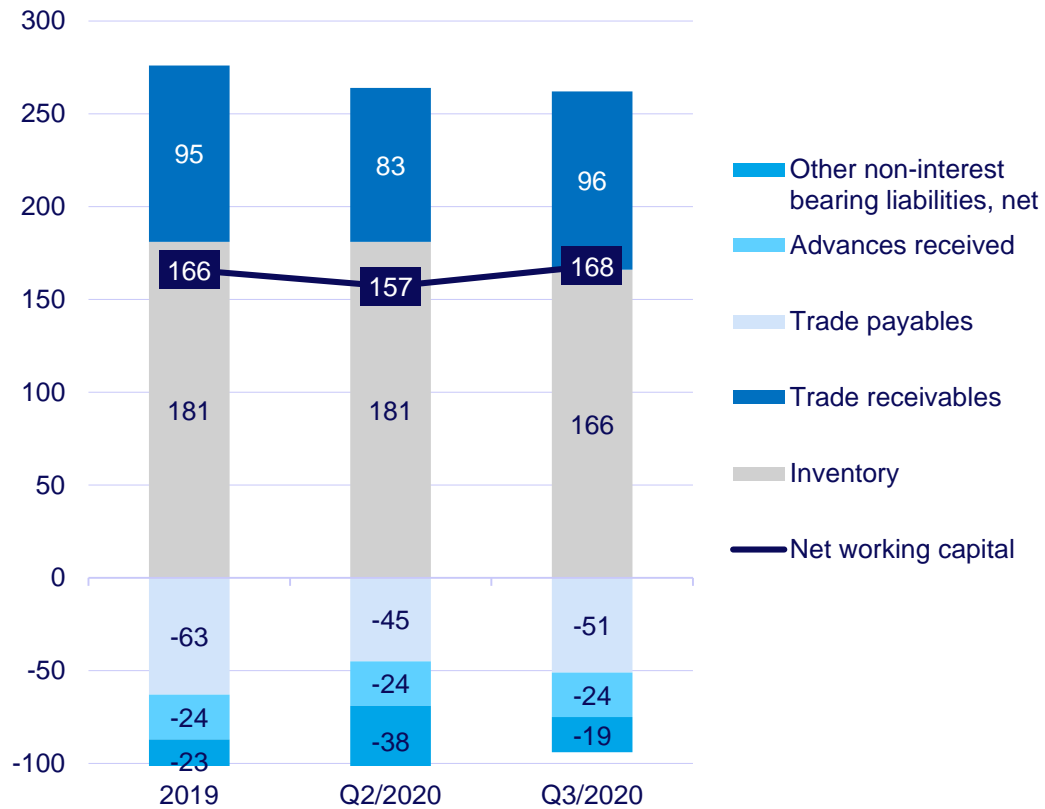
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EUR million	Sep 30, 2020	Dec 31, 2019
Intangible assets	77	81
Tangible assets	64	67
Right-of-use assets	52	46
Other non-current assets	23	14
Inventories	166	181
Receivables (trade and other)	140	137
Liquid funds	103	57
Assets, continuing operations	625	582
Assets, discontinued operations	-	3,305
TOTAL ASSETS	625	3,887
Total equity	253	1,526
Interest bearing liabilities	221	103
Non-interest bearing liabilities	151	157
Liabilities, continuing operations	371	260
Liabilities, discontinued operations	-	2,102
TOTAL EQUITY AND LIABILITIES	625	3,887

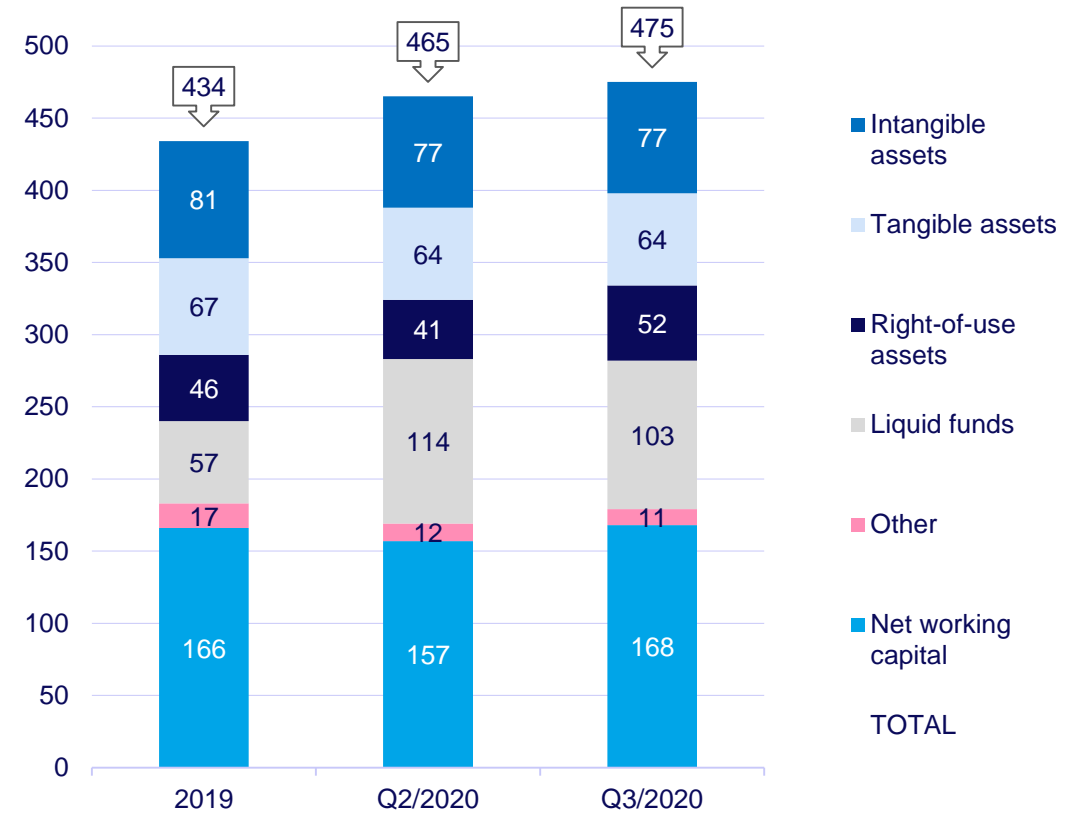
Key figures	Sep 30, 2020
Net debt, EUR million	118
Gearing, %	46.5
Equity-to-assets ratio, %	42.2
Debt to capital, %	46.5
Net debt/EBITDA ratio	1.3
Return on capital employed, before taxes continued operations, %	14.8

Net working capital and Capital employed

Net working capital ¹



Capital employed



¹ Neles continuing operations net working capital

IFRS Cash Flow

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EUR million	1-9/2020	1-6/2020	2019
Profit for the period, continuing operations	36	22	69
Adjustments	22	-13	54
Change in NWC	-6	-6	-30
Financial income and expenses paid, net	-4	-1	0
Income taxes paid	-5	-1	-38
Net cash flow from operating activities	42	23	54
Capital expenditure on fixed assets	-11	-8	-20
Proceeds from and investments in financial assets, net	0	0	-
Net cash flow from investing activities	-10	-8	-20
Free cash flow	32	15	34

Contents

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Q3 highlights and results



Financials in detail



Strategy update and focus areas

Strategy update and focus areas

- Market leadership in Pulp and Paper maintained
- Success in large projects
- Continued success in metal & mining projects
- Sustainability agenda and targets defined
- Safety performance on par with leading global industry players

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EGM: October 29, 2020



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