

# Neles' Interim Review

January–March 2022



Forward together – Neles is now part of Valmet  
The merger was completed on April 1, 2022

# Neles is Valmet's Flow Control business line starting April 1, 2022

## Neles' Interim Review January–March 2022

### Strong order intake and sales growth resulted in good profitability

- Strong growth in both orders received and sales
- Good business momentum across all Market Areas, North America continues to be particularly active
- Good sales volumes and solid sales margins resulted in good profitability, with Adjusted EBITA margin of 16.1 percent

Figures in parentheses refer to the first quarter of 2021 unless otherwise stated. Neles Group is reported as one segment.

### Summary of operative key figures

EUR million	1-3/22	1-3/21	Change, %	2021
Orders received <sup>1</sup>	196.0	153.9	27	625.2
Order backlog at end of period	331.4	298.4	11	294.4
Sales <sup>2</sup>	165.8	129.1	28	610.9
Adjusted EBITA	26.7	15.9	68	86.8
% of sales	16.1	12.3		14.2
Adjustment items <sup>3</sup>	-	-		7.2
Operating profit	25.1	15.1	66	75.8
% of sales	15.2	11.7		12.4
Earnings per share, EUR	0.12	0.07	65	0.38
Free cash flow	4.1	19.6	-79	77.5
Personnel at end of period	2,974	2,825		2,934

<sup>1</sup> Of which EUR 135.2 (112.4) million in 1-3/22 was for the Services and MRO-driven businesses, including EUR 45.2 (40.5) million for Services orders received. Orders received increased organically with constant currencies by 16 percent in 1-3/22.

<sup>2</sup> Of which EUR 116.6 (88.4) million in 1-3/22 were for the Services and MRO-driven businesses including EUR 36.4 (31.3) million for Services sales. Sales increased organically with constant currencies by 17 percent in 1-3/22.

<sup>3</sup> Neles had no adjustment items in 1-3/22 (-).

## Interim President and CEO Simo Säskilähti: Good profitability thanks to strong sales volume and solid sales margins

Our business developed in a positive way despite the continued challenges from Covid-19, increasing cost pressures from inflation and the war in Ukraine.

Services and MRO-driven businesses developed well. Organic growth was further accelerated by Flowrox's valve and pump businesses, which were acquired in the fourth quarter of 2021. The integration of these businesses is progressing well, and the order intake, as well as sales funnel development, in the first quarter was very satisfactory.

Project orders also continued to grow in the first quarter. Pulp, paper and bioproducts projects orders remained at a good level. We also saw growth in Chemicals and Oil & Gas project orders after a challenging 2021.

Due to the war in Ukraine and the resulting sanctions, logistics, and financial transaction issues, we have suspended our sales to Russia. In recent years our sales to Russia has been less than 5 percent of total sales.

At the beginning of February, we changed our organization to accelerate the implementation of our strategy and improve transparency in the performance of our different customer types. We now have entities with clear responsibilities for improving the sales and delivery processes for the different customer categories. We will also be able to more effectively drive the coherent long-term development of our offering and capabilities of achieving growth in our current core industries and diversify to selected new growth industries.

On April 1, the merger between Valmet and Neles was completed. The integration planning had progressed well, and there was excitement throughout the organization about the new opportunities the merger would create. At this stage, I would like to thank Neles' personnel for providing reliable products and services to our customers in a challenging environment, working together to deliver solid financial results and building the foundations for future growth by executing our strategy during the last two years.

# Neles' Interim Review January–March 2022

## Operating environment

Orders received in the project business grew clearly during the first quarter. Orders in Pulp, Paper and Bioproducts projects stayed on a good level. After a challenging 2021, Chemicals and Oil & Gas project orders improved. The Services and MRO-driven businesses also developed well. The organic growth was further accelerated by the valve and pump businesses, which were acquired in the fourth quarter of 2021.

The EMEIA Market Area's orders received grew well, driven by the Services and MRO-driven businesses. Orders received in the project business were weak in the first quarter.

The APAC Market Area's growth in orders received was driven mainly by strong activity in project orders, both in Pulp, Paper and Bioproducts and in the Chemicals and Oil & Gas project businesses.

Orders received in the North America Market Area were very high in the first quarter. In particular, the standalone Valve Controls and Actuation business in North America developed well.

Business in the South and Central America Market Area continues to develop positively. As a result of the Flowrox valve and pump businesses acquisition, several growth opportunities in the mining industry have been developed.

## Covid-19 pandemic update

The Covid-19 pandemic situation has been followed closely by management, prioritizing the health and safety of Neles' employees and partners.

The global logistics situation continued to be challenging during the first quarter. The availability of transportation and its costs continued to be issues, impacting for example Neles' net working capital development and margins. In addition, challenges and risks related to the availability of electronics components continued.

At the end of March, Covid-19 situation in China deteriorated causing Neles' main factory in China, situated in Jiaying, to be closed for 2 days. The other Neles factory situated in Shanghai has been closed since the end of March. At the end of first quarter, all Neles' factories, except Shanghai's technology center, were operational.

## Impact of sanctions on Russian business in Q1

In the recent years Neles' sales to Russia has been less than 5 percent of total sales. Due to war in Ukraine and the subsequent sanctions affecting deliveries, logistics and financial transactions Neles suspended its sales to Russia in late February for an indefinite period of time.

Deliveries for items in the backlog were also suspended in late February. Subsequently, Neles has been winding down deliveries of the order backlog to Russia in a controlled manner according to the imposed sanctions, taking into account availability of logistics and financing as well as stakeholders.

Orders received in the first quarter of 2022 prior to suspension of sales amounted to EUR 4 million. At the end of the first quarter, Neles has the following risk exposure from Russia: order

backlog worth approximately EUR 20 million, outstanding trade receivables approximately EUR 2 million and advances received approximately EUR 2 million.

In this Interim Review, Russian business is reported as unchanged on a going concern basis.

## Orders and sales

### Orders by market area

EUR million	1-3/22	1-3/21	1-12/21
EMEIA	70.3	54.7	230.7
North America	71.0	54.6	222.4
South America	12.7	10.8	46.4
Asia-Pacific	42.0	33.8	125.7
<b>Neles total</b>	<b>196.0</b>	<b>153.9</b>	<b>625.2</b>

Growth in orders received resulted both from Services and MRO-driven and the projects businesses. Orders received in the Services and MRO-driven businesses totaled EUR 135.2 (112.4) million, of which Services orders were EUR 45.2 (40.5) million.

The order backlog on March 31, 2022, was EUR 331.4 (298.4) million.

### Sales by market area

EUR million	1-3/22	1-3/21	1-12/21
EMEIA	59.1	52.3	245.3
North America	60.3	43.6	195.8
South America	11.2	13.6	51.3
Asia-Pacific	35.2	19.6	118.6
<b>Neles total</b>	<b>165.8</b>	<b>129.1</b>	<b>610.9</b>

Growth in sales resulted both from Services and MRO-driven and the projects businesses. Sales in the Services and MRO-driven businesses totaled EUR 116.6 (88.4) million, of which Services sales were EUR 36.4 (31.3) million.

### FX impact on orders received and sales

	Orders received 1-3	Sales 1-3
<b>2021, EUR million</b>	<b>153.9</b>	<b>129.1</b>
Organic growth in constant currencies	16%	17%
Acquisitions	6%	6%
Impact of changes on exchange rates	5%	5%
<b>Total change</b>	<b>27%</b>	<b>28%</b>
<b>2022, EUR million</b>	<b>196.0</b>	<b>165.8</b>

In the first quarter, orders received grew by 27 percent from the comparison period, of which organic growth with constant currencies was 16 percent, and growth from acquisition was 6

percent. Sales grew by 28 percent, of which organic growth with constant currencies was 17 percent, and growth from acquisition was 6 percent. Additionally, currency exchange rates had a positive impact of 5 percent on both the reported orders received and sales. Currency exchange rate impacts were mainly due to the US dollar and Brazilian real.

## Financial performance

EUR million	1-3/22	1-3/21	1-12/21
<b>Adjusted EBITA</b>	<b>26.7</b>	15.9	86.8
% of sales	16.1	12.3	14.2
Amortizations	-1.5	-0.8	-3.7
Adjustments	-	-	-7.2
<b>Operating profit</b>	<b>25.1</b>	15.1	75.8
% of sales	15.2	11.7	12.4
Financial expenses, net	-1.9	-1.0	-5.0
Income taxes	-5.7	-3.4	-14.1
Effective tax rate, %	24.6	24.5	20.0
Net profit for the period	17.5	10.6	56.7
Earnings per share	0.12	0.07	0.38

In the first quarter, 28 percent higher sales volumes had a positive impact on profitability compared to the comparison period. Adjusted EBITA was 68 percent higher, and adjusted EBITA-margin 3.8 percentage points better than in the comparison period. Gross margin was 33.7 percent (31.4 percent). Due to increased market activity, SGA costs were EUR 6.5 million higher than in the comparison period, of which the consolidation of the acquired business contributed EUR 2.1 million.

The effective tax rate was 24.6 (24.5) percent.

Earnings per share for the first quarter of 2022 amounted to EUR 0.12 (0.07).

## Free cash flow and investments

EUR million	1-3/22	1-3/21	1-12/21
Cash flow from operating activities	6.4	21.5	88.3
Capital expenditures, net	-2.4	-1.9	-10.9
<b>Free cash flow</b>	<b>4.1</b>	19.6	77.5
Cash conversion, %	23	185	137

The free cash flow for the first quarter amounted to EUR 4.1 (19.6) million. An increase in net working capital had a negative impact on the cash flow from operating activities in the first quarter compared to the comparison period. Capital expenditures consisted mainly of investments in manufacturing capacity and equipment.



## Net working capital

EUR million	3/22	3/21	12/21
Inventory	201.6	172.8	187.0
Trade receivables	91.5	80.9	84.2
Trade payables	-59.5	-56.2	-62.8
Advances received	-29.3	-32.2	-27.3
Other receivables and liabilities, net	-29.4	-18.2	-30.9
<b>Net working capital, operative</b>	<b>174.8</b>	<b>147.1</b>	<b>150.2</b>
Withholding tax / Dividend liability	-30.0	-33.1	-
<b>Net working capital, total</b>	<b>144.8</b>	<b>114.0</b>	<b>150.2</b>

At the end of the first quarter of 2022, operative net working capital amounted to EUR 174.8 million (December 31, 2021: EUR 150.2 million). Growth in net working capital was caused by an increase in inventory, which was impacted by continued challenges in global logistics and an increase in trade receivables due to good invoicing at the end of the quarter. At the end of the first quarter, net working capital related to acquired business was EUR 10.3 million.

## Research and development

Neles' research and development activities focus on the renewal and expansion of certain product platforms to ensure the future competitiveness of its offerings. Neles research and development efforts also continuously aim to improve customers' processes in terms of sustainability, efficiency and reliability.

### Research and development, as well as IP-related, expenditure

EUR million	1-3/22	1-3/21	2021
R&D expenditure	4.7	6.4	16.6
of sales, %	2.9	5.0	2.7
Of which expensed	4.5	3.5	15.3
of sales, %	2.7	2.7	2.5

## Product launches and new invention

In March, Neles introduced the renewed Nelprof selection tool for automated process valves. The complete Nelprof™ valve sizing and selection software for all intelligent automated process valves by Neles is now available as a free web-based tool. With its advanced control-valve selection features, the Nelprof™ tool allows fast and reliable selection of Neles™, Jamesbury™ and Easyflow by Neles™ branded intelligent automated process valves.

## Personnel

At the end of March 2022, Neles had 2,974 employees (December 31, 2021: 2,934 employees).

## Safety

Neles is committed to the continuous improvement of safety with the goal of zero harm. Neles' LTIF at the end of March 2022 was 1.6 (end of December 2021: 1.3).

## Flow Control Business line management team as of April 1, 2022

Simo Sääsikihti, President; Sami Nousiainen, MRO and Services Business Unit; Kalle Suurpää, Valve Controls and Actuators Business Unit; Tuomo Paukkula, Project business Business Unit; Jon Jested-Rask, Products and Solutions; Kevin Tinsley, Global Operations; Timo Hänninen, EMEIA Market Area; Patrick Dunn, North America Market Area; Fabio Maia; South America Market Area; and Tan HangPheng, APAC Market Area.

## Merger of Neles and Valmet

On July 2, 2021, Neles announced that the Board of Directors of Neles Corporation and Valmet Oyj had signed a combination agreement and merger plan to combine the two companies through a merger.

On March 22, 2022, Neles Board received a renewed authorization from the AGM 2022 to decide on the extraordinary distribution of funds and decided to distribute a total of EUR 2.00 per share to Neles' shareholders. As a merger consideration, the shareholders of Neles received 0.3277 new shares in Valmet for each share they held in Neles.

The completion of the merger was executed on April 1, 2022, when all conditions for completion were fulfilled. For more information, please see <https://www.neles.com/company/valmet-neles-merger/>.

## Equity and liabilities

<b>EUR million</b>	<b>3/22</b>	3/21	12/21
Equity	-12.6	250.4	304.0
Non current			
Interest bearing liabilities	-	149.8	149.6
Lease liabilities	35.5	40.1	36.0
Current			
Interest bearing liabilities	473.1	21.1	18.5
Lease liabilities	11.7	10.8	11.5
Total interest bearing liabilities	520.3	170.7	168.1
Total assets	720.7	675.6	700.2

Based on the decisions of the Neles' Annual General Meeting and the Board of Directors on March 22, 2022, a total of EUR 340.3 million was distributed from the equity, of which EUR 40.0 million was dividend, EUR 261.3 million was extra dividend, and EUR 39.1 million was a distribution of funds.

Interest bearing liabilities on March 31, 2022, were EUR 520.3 million (EUR 215.6 million at the end of December 2021), including EUR 47.2 million in lease liabilities (EUR 47.5 million at the end of December 2021).

At the end of March 2022, interest bearing loans are disclosed as current loans because of the merger was effective on April 1, 2022. The total amount consists of a EUR 150.0 million bilateral term loan, EUR 19.3 million loans in subsidiaries, a EUR 215.0 million loan withdrawn in March 2022 to fund the extra distribution of funds and a EUR 88.8 million loan from Valmet Oyj.

At the completion of the merger on April 1, 2022, all interest bearing liabilities were transferred to combined Valmet.



## Shares and share trading

Neles' share capital was EUR 50,982,843.80, and the number of shares was 150,348,256. This included 150,361 treasury shares held by the Parent Company, which represented 0.1 percent of all Neles shares and votes.

A total of 22,554,889 Neles shares was traded on Nasdaq Helsinki in January–March 2022, and the value of the shares traded was approximately EUR 274 million. Neles' market capitalization at the end of March 2022, excluding shares held by the Parent Company, was approximately EUR 1,388 million.

### Neles share performance on Nasdaq Helsinki, January 1–March 31, 2022

EUR	1–3/2022
Closing price, March 31, 2022	9.24
Highest share price	14.02
Lowest share price	9.05
Volume-weighted average trading price	12.17

According to the merger agreement published on July 2, 2021, each Neles share was converted to 0.3277 of a Valmet share on April 1, 2022. March 31, 2022 was Neles' last day of trading on the Nasdaq Helsinki stock exchange.

### Flagging notifications in the reporting period

All flagging notifications received by Neles Oyj from its shareholders until March 31, 2022, are available on Valmet's news archive website at <https://www.neles.com/company/media/news/>.

## Annual General Meeting, March 22, 2022

Neles Corporation's virtual Annual General Meeting (AGM) was held on March 22, 2022. A total of 310 shareholders representing 98,519,061 shares and votes were represented at the meeting. The AGM adopted the financial statements and the consolidated financial statements and granted the Company's Board of Directors and the President and CEO discharge from liability for the January 1, 2021 – December 31, 2021, financial period. The AGM approved the Company's Remuneration Report in the advisory vote.

### Dividend

The AGM decided to pay dividends of EUR 0.266 per share for the financial period ending on December 31, 2021. The dividend was paid on March 31, 2022, to shareholders who on the dividend record date on March 24, 2022, were registered in the Company's shareholders' register held by Euroclear Finland Oy. All the shares in the Company were entitled to a dividend except for shares held by the Company on the dividend record date.

### Resolution to authorize the Board of Directors to resolve upon an extra distribution of funds

The AGM resolved to authorize the Board of Directors of Neles to resolve, before the execution of the merger, on an extra distribution of funds not exceeding EUR 2.00 per share, to be paid either as a dividend from the Company's retained earnings or a return of equity from the Company's fund for invested unrestricted equity or a combination of the two. The authorization was used on March 22, 2022, and the Board decided on a total of EUR 2.00 extra distribution of funds.

On March 22, 2022, Neles published the Board of Directors' resolution to distribute funds based on the authorization and simultaneously confirmed the record and payment dates applicable to the extra distribution. Funds were paid on March 31, 2022.

In addition, the AGM resolved on the Board's remuneration, composition, authorizations and auditors. Details of these decisions can be found in the minutes of the AGM 2022 at [www.neles.com/agm](http://www.neles.com/agm).

## Other main events in Q1/2022

**March 31:** The merger of Neles Corporation and Valmet Oyj was completed, Valmet's listing application was approved, and trading in the new shares commenced on April 1, 2022. In accordance with the merger agreement published on July 2, 2021, each Neles share was converted to 0.3277 of a Valmet share.

**March 22:** Neles Board of Directors decided on an extra distribution of funds of EUR 2.00 in accordance with the combination agreement between Neles and Valmet. The Board resolved based on the authorization given to it by Neles' AGM 2022 that an extra dividend of EUR 1.74 per share would be distributed from the company's retained earnings, and a return of equity of EUR 0.26 per share would be distributed from the invested unrestricted equity fund.

**March 22:** The Boards of Directors of Neles and Valmet approved a loan agreement between the companies concerning the part of the extra distribution payable to Valmet. According to the Loan Agreement, the part of the extra distribution payable to Valmet as a shareholder of Neles will not be paid in cash to Valmet in connection with the payment of the extra distribution to other Neles shareholders, but the amount payable to Valmet was recorded on April 1, 2022, as debt owed by Neles to Valmet.

**March 21:** Neles Corporation and Valmet Oyj received all competition approvals for the merger of Neles into Valmet.

**January 25:** Neles Corporation decided on a new operating model and organization, effective from February 7, 2022. The new organization was designed to accelerate strategy implementation by strengthening Neles' long-term offering development and diversification to new customer industries. The other main objective of the change was to better align Neles' organization and processes with the specific requirements of customer segments.

Neles' new business lines would be

- Projects
- MRO and Service
- Valve Controls and Actuators

A new global function, Products and Solutions, would focus on developing and implementing industry-specific strategies and offerings, including product management and R&D.

Neles' operating model also continued to include global operations, corporate functions and four market areas.

Tuomo Paukkula was appointed as Head of the Projects business line and a member of Neles' executive management team as of February 7, 2022. He was then VP, Project Business at Neles.

Other members of the executive management team remained unchanged, with a few changes in individual roles: Sami Nousiainen, MRO and Service; Kalle Suurpää, Valve Controls and Actuators; Jon Jested-Rask, Products and Solutions; Kevin Tinsley, Global Operations; Timo

Hänninen, EMEIA market area; Patrick Dunn, North America; Fabio Maia; South America, Tan HangPheng, APAC; Elisa Erkkilä, Legal and Compliance; Hanne Peltola, Human Resources; and Kaisa Voutilainen, Communications and Marketing.

All executive management team members would report to Neles' Interim President and CEO Simo Säaskilahti. The change did not impact Neles' financial reporting.

**January 24:** The Shareholders' Nomination Board of the Neles Corporation ("Neles") presented the following proposals to the Annual General Meeting 2022 planned for March 22, 2022, if the merger with Valmet Oyj does not close before February 28, 2022. The proposals concerned the term of office of the Board of Directors commencing at the end of the Annual General Meeting 2022 and expiring at the registration of the completion of the merger of Neles into Valmet Oyj.

#### Proposal for the composition of the Board of Directors

The Shareholders' Nomination Board proposed the following composition:

- the number of Board members would be six
- Jaakko Eskola would be re-elected as Chair of the Board
- Anu Hämäläinen would be re-elected as Vice Chair of the Board, and
- Niko Pakalén, Teija Sarajärvi, Jukka Tiitinen and Mark Vernon would be re-elected as Board members.

The proposed members of the Board of Directors are presented on Neles' website at <https://www.neles.com/investors/governance/board/>.

The proposed Board members all gave their consent to be elected.

All proposed Board members were assessed to be independent of the company. Apart from Jukka Tiitinen and Niko Pakalén, the proposed Board members were independent of significant shareholders. Jukka Tiitinen was assessed to be dependent on Valmet Oyj due to his position of Area President, North America of Valmet Oyj. Niko Pakalén was assessed to be dependent on Cevian Capital Partners Ltd due to his position of Partner at Cevian Capital AB.

#### Proposal for the remuneration of the Board of Directors

The Shareholders' Nomination Board proposed the same fixed annual remuneration to the Board members as in the previous term. The remuneration to be paid would be calculated pro rata to the length of the term of office based on the following annual remuneration:

- The Chair of the Board would be paid EUR 115,000, the Vice-Chair EUR 65,000, and each member the Board EUR 50,000
- The Chair of the Audit Committee would be paid EUR 15,000, and each member of Audit Committee EUR 7,500
- The Chair of the Remuneration Committee would be paid EUR 7,500, and each member of the Remuneration Committee EUR 3,750

The Shareholders' Nomination Board further proposed that a meeting fee of EUR 800 be paid for each virtual Board and Committee meeting. If the physical presence of Board members was required, the meeting fees would be paid as follows:

- a fee of EUR 800 would be paid to Board members residing in the Nordic countries
- a fee of EUR 1,600 would be paid to Board members residing in other European countries
- a fee of EUR 3,200 would be paid to Board members residing outside Europe.

The fixed annual remuneration and meeting fees would be paid in cash. Any travel expenses would be reimbursed in accordance with the company's travel policy.

### Composition of the Shareholders' Nomination Board

The members of the Shareholders' Nomination Board would be Mikko Mursula, Deputy CEO, Investments, Ilmarinen Mutual Pension Insurance Company; Pasi Laine, CEO, Valmet Oyj; Philip Ahlgren, Vice President, Cevian Capital AB; and Jaakko Eskola, Chair of Neles' Board of Directors. Further information about the Shareholders' Nomination Board can be found at <https://www.neles.com/investors/governance/nomination-board/>.

**January 14:** Neles announced that Alfa Laval AB (publ.) had informed Neles Corporation that it had sold the shares it held in Neles. Consequently, Emma Adlerton, a member of the Shareholders' Nomination Board, resigned on January 14 from the Shareholders' Nomination Board.

**January 1:** Simo Säskilahti started as Neles' interim President and CEO.

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Espoo, April 27, 2022  
Valmet Corporation's Board of Directors

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### Consolidated statement of income, IFRS

EUR million	1-3/22	1-3/21	1-12/21
<b>Sales</b>	165.8	129.1	610.9
Cost of goods sold	-110.0	-88.5	-412.1
<b>Gross profit</b>	55.8	40.6	198.8
Selling and marketing expenses	-17.3	-14.2	-62.2
Research and development expenses	-4.5	-3.5	-15.3
Administrative expenses	-10.0	-7.6	-40.8
Other operating income and expenses, net	1.0	-0.3	-4.6
<b>Operating profit</b>	25.1	15.1	75.8
Financial income and expenses, net	-1.9	-1.0	-5.0
<b>Profit before taxes</b>	23.3	14.1	70.8
Income taxes	-5.7	-3.4	-14.1
<b>Profit for the period</b>	17.5	10.6	56.7
Profit attributable to			
<b>Shareholders of the parent company</b>	17.5	10.6	56.7
Non-controlling interests	-	-	-
<b>Earnings per share, EUR</b>			
Basic and diluted	0.12	0.07	0.38

## Consolidated statement of comprehensive income, IFRS

<b>EUR million</b>	<b>1-3/22</b>	1-3/21	1-12/21
<b>Profit for the period</b>	17.5	10.6	56.7
Other comprehensive income			
Currency translation on subsidiary net investments	7.0	10.6	17.5
Items that may be reclassified to profit or loss in subsequent periods	7.0	10.6	17.5
Defined benefit plan actuarial gains and losses, net of tax	-0.3	-	1.0
Items that will not be reclassified to profit or loss	-0.3	-	1.0
<b>Other comprehensive income total</b>	6.6	10.6	18.4
<b>Total comprehensive income</b>	24.2	21.2	75.1
Profit attributable to			
<b>Shareholders of the parent company</b>	24.2	21.2	75.1
Non-controlling interests	-	-	-



## Consolidated Balance Sheet – Assets, IFRS

EUR million	3/22	3/21	12/21
<b>Non-current assets</b>			
<b>Intangible assets</b>			
Goodwill	85.9	59.4	85.6
Other intangible assets	25.4	17.0	25.8
<b>Total intangible assets</b>	<b>111.2</b>	<b>76.4</b>	<b>111.5</b>
<b>Tangible assets</b>			
Land and water areas	5.8	5.7	5.8
Buildings and structures	22.8	22.5	22.3
Machinery and equipment	32.5	30.5	31.7
Assets under construction	2.7	3.7	3.9
<b>Total tangible assets</b>	<b>63.8</b>	<b>62.3</b>	<b>63.6</b>
Right-of-use assets	45.3	49.7	45.8
<b>Other non-current assets</b>			
Non-current financial assets	1.9	0.7	2.0
Deferred tax asset	16.6	18.9	16.0
Other non-current receivables	10.9	12.3	13.7
<b>Total other non-current assets</b>	<b>29.5</b>	<b>31.9</b>	<b>31.7</b>
<b>Total non-current assets</b>	<b>249.8</b>	<b>220.3</b>	<b>252.6</b>
<b>Current assets</b>			
Inventories	201.6	172.8	187.0
Trade receivables	91.5	80.9	84.2
Current financial assets	0.5	-	-
Income tax receivables	5.7	4.3	5.0
Other current receivables	42.2	39.3	38.9
Cash and cash equivalents	129.5	158.0	132.4
<b>Total current assets</b>	<b>470.9</b>	<b>455.3</b>	<b>447.6</b>
<b>TOTAL ASSETS</b>	<b>720.7</b>	<b>675.6</b>	<b>700.2</b>

## Consolidated Balance Sheet – Equity and liabilities, IFRS

<b>EUR million</b>	<b>3/22</b>	3/21	12/21
<b>Equity</b>			
Share capital	51.0	51.0	51.0
Treasury shares	-3.3	-3.3	-3.3
Cumulative translation adjustments	60.5	46.7	53.5
Fair value and other reserves	1.5	30.0	30.0
Retained earnings	-122.4	125.9	172.6
<b>Equity attributable to shareholders</b>	<b>-12.7</b>	<b>250.2</b>	<b>303.8</b>
Non-controlling interests	0.1	0.1	0.1
<b>Total equity</b>	<b>-12.6</b>	<b>250.4</b>	<b>304.0</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Interest bearing liabilities	-	149.8	149.6
Lease liabilities	35.5	40.1	36.0
Post-employment benefit obligations	18.2	22.0	21.3
Provisions	2.0	1.3	2.0
Deferred tax liability	4.2	3.8	3.5
Other non-current liabilities	0.3	0.3	0.3
<b>Total non-current liabilities</b>	<b>60.2</b>	<b>217.3</b>	<b>212.7</b>
<b>Current liabilities</b>			
Interest bearing liabilities	473.1	21.1	18.5
Lease liabilities	11.7	10.8	11.5
Trade payables	59.5	56.2	62.8
Provisions	11.6	9.6	11.2
Advances received	29.3	32.2	27.3
Derivative financial instruments	1.5	0.9	0.5
Income tax liabilities	7.3	7.9	3.0
Other current liabilities	79.0	69.2	48.8
<b>Total current liabilities</b>	<b>673.1</b>	<b>207.9</b>	<b>183.6</b>
<b>Total liabilities</b>	<b>733.3</b>	<b>425.2</b>	<b>396.3</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>720.7</b>	<b>675.6</b>	<b>700.2</b>

### Net interest-bearing liabilities

<b>EUR million</b>	<b>3/22</b>	3/21	12/21
Interest bearing liabilities	473.1	170.7	168.1
Lease liabilities	47.2	50.8	47.5
Other interest bearing assets	-2.3	-0.5	-1.8
Cash and cash equivalents	-129.5	-158.0	-132.4
<b>Net interest-bearing liabilities</b>	<b>388.5</b>	<b>63.0</b>	<b>81.4</b>

## Consolidated statement of changes in shareholders' equity, IFRS

EUR million	Share capital	Treasury shares	Cumulative translation adjustments	Fair value and other reserves	Retained earnings	Equity attributable to shareholders	Non-controlling interests	Total equity
Jan 1, 2022	51.0	-3.3	53.5	30.0	172.6	303.8	0.1	304.0
Profit for the period	-	-	-	-	17.5	17.5	-	17.5
<b>Other comprehensive income</b>								
Currency translation on subsidiary net investments	-	-	7.0	-	-	7.0	-	7.0
Defined benefit plan actuarial gains and losses, net of tax	-	-	-	-	-0.3	-0.3	-	-0.3
<b>Total comprehensive income</b>	-	-	7.0	-	17.2	24.2	0.0	24.2
Dividends and distribution of funds	-	-	-	-39.1	-301.3	-340.3	-	-340.3
Prior year corrections <sup>1</sup>	-	-	-	10.6	-10.6	-	-	-
Other items	-	-	-	-	-0.4	-0.4	0.0	-0.4
<b>Mar 31, 2022</b>	51.0	-3.3	60.5	1.5	-122.4	-12.7	0.1	-12.6

<sup>1</sup>Corrections to other funds and retained earnings related to carve-out equity 2020

EUR million	Share capital	Treasury shares	Cumulative translation adjustments	Fair value and other reserves	Retained earnings	Equity attributable to shareholders	Non-controlling interests	Total equity
Jan 1, 2021	51.0	-3.3	36.1	31.3	148.0	263.0	0.1	263.1
Profit for the period	-	-	-	-	10.6	10.6	-	10.6
<b>Other comprehensive income</b>								
Currency translation on subsidiary net investments	-	-	10.6	-	-	10.6	-	10.6
<b>Total comprehensive income</b>	-	-	10.6	-	10.6	21.2	-	21.2
Dividends	-	-	-	-	-33.1	-33.1	-	-33.1
Share-based payments, net of tax	-	-	-	-1.2	0.7	-0.6	-	-0.6
Other items	-	-	-	-	-0.3	-0.3	0.0	-0.3
<b>Mar 31, 2021</b>	51.0	-3.3	46.7	30.0	125.9	250.2	0.1	250.4

## Consolidated statement of cash flows, IFRS

EUR million	1-3/22	1-3/21	1-12/21
<b>Operating activities</b>			
Profit for the period	17.5	10.6	56.7
Adjustments			
Depreciation and amortization	7.3	6.2	25.0
Financial expenses, net	1.9	1.0	5.0
Income taxes	5.7	3.4	14.1
Other items	1.1	1.5	2.0
Change in net working capital	-23.2	1.2	7.2
<b>Net cash flow from operating activities before financial items and taxes</b>	<b>10.3</b>	<b>24.0</b>	<b>110.1</b>
Financial income and expenses paid, net	-2.0	-0.5	-4.7
Income taxes paid	-1.8	-2.1	-17.1
<b>Net cash flow from operating activities</b>	<b>6.4</b>	<b>21.5</b>	<b>88.3</b>
<b>Investing activities</b>			
Capital expenditures on intangible and tangible assets	-2.4	-1.8	-10.9
Proceeds from sale of intangible and tangible assets	-	-0.1	0.1
Business acquisitions, net of cash acquired	-	-	-40.3
<b>Net cash flow from investing activities</b>	<b>-2.4</b>	<b>-1.9</b>	<b>-51.1</b>
<b>Financing activities</b>			
Dividends paid	-222.1	-	-33.1
Investments in financial assets	-0.5	0.0	0.5
Change in loan receivables, net	-	-	-1.8
Proceeds from issuance of debt	216.2	4.1	151.8
Repayment of debt	-	-	-150.0
Repayments of lease liabilities	-3.1	-2.8	-11.0
<b>Net cash flow from financing activities</b>	<b>-9.6</b>	<b>1.3</b>	<b>-43.7</b>
<b>Net change in cash and cash equivalents</b>	<b>-5.5</b>	<b>20.9</b>	<b>-6.5</b>
Effect from changes in exchange rates	2.6	1.0	2.9
Cash and cash equivalents at beginning of period	132.4	135.9	135.9
<b>Cash and cash equivalents at end of period</b>	<b>129.5</b>	<b>157.8</b>	<b>132.4</b>

## Free cash flow

EUR million	1-3/22	1-3/21	1-12/21
Cash flow from operating activities	6.4	21.5	88.3
Capital expenditures on intangible and tangible assets	-2.4	-1.8	-10.9
Proceeds from sale of intangible and tangible assets	0.0	-0.1	0.1
<b>Free cash flow</b>	<b>4.1</b>	<b>19.6</b>	<b>77.5</b>

## Notes to the Financial Statements Review

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### 1. Basis of preparation

This Interim Review has been prepared in accordance with IAS 34 Interim Financial Reporting, applying the accounting policies in the Financial Statements 2021 of the Neles Group. New accounting standards have been adopted as described in note 2. This Interim Review is unaudited.

Neles' performance is measured with operating profit (EBIT). In addition, Neles uses several other alternative performance measures to reflect the underlying business performance and to improve comparability between financial periods. However, alternative performance measures, should not be considered a substitute for measures of performance in accordance with the IFRS.

Neles Group is reported as one segment until March 31, 2022. As a result of implementation of the merger to Valmet, Neles is Valmet's Flow Control business line from April 1, 2022.

All figures presented have been rounded, and the sum of individual figures may therefore differ from the presented total figure.

### 2. New accounting standards

New and amended standards adopted in 2022

Neles has applied the following revised IFRS Standards that have been effective since January 1, 2022. These amendments have not had a material impact on the reported figures.

- IFRS 9 Financial instruments – Fees in the 10 per cent test for derecognition of financial liabilities
- Amendment to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract
- Amendment to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use
- Amendment to IFRS 1: Subsidiary as a First-time Adopter
- Amendment to IAS 41: Taxation in Fair Value Measurements
- Amendments to IFRS 3: Updating a Reference to the Conceptual Framework

### 3. Key figures

	1-3/22	1-3/21	1-12/21
EUR million			
Sales	165.8	129.1	610.9
Services sales	36.4	31.3	148.1
% of sales	21.9	24.3	24.2
Adjusted EBITA	26.7	15.9	86.8
% of sales	16.1	12.3	14.2
Operating profit	25.1	15.1	75.8
% of sales	15.2	11.7	12.4
Profit for the period	17.5	10.6	56.7
<b>Earnings per share</b>			
Earnings per share, basic, EUR	0.12	0.07	0.38
Earnings per share, diluted, EUR	0.12	0.07	0.38
<b>Cash flow</b>			
Free cash flow, EUR million	4.1	19.6	77.5
Free cash flow/share, EUR	0.03	0.13	0.52
R&D expenditure, EUR million	4.7	6.4	16.6
% of sales	2.9	5.0	2.7
Gross capital expenditure, EUR million	2.4	1.8	10.9
% of sales	1.5	1.4	1.8
Amortization, EUR million	1.5	0.8	3.7
Depreciation of tangible assets, EUR million	2.4	2.5	9.4
Depreciation of right-of-use assets, EUR million	3.3	2.9	11.9
Adjustment items, EUR million <sup>1</sup>	-	-	7.2
<b>Balance sheet</b>			
Balance sheet total, EUR million	720.7	675.6	700.2
Equity attributable to shareholders, EUR million	-12.7	250.2	303.8
Equity per share, EUR <sup>2</sup>	n/a	1.67	2.02
Equity-to-assets ratio, % <sup>2</sup>	n/a	38.9	45.2
Net debt, EUR million	388.5	63.0	81.4
Gearing, % <sup>2</sup>	n/a	25.2	26.8
Net debt / EBITDA <sup>2</sup>	n/a	0.7	0.8
Debt to capital ratio, % <sup>2</sup>	n/a	46.9	41.5
Number of outstanding shares at end of period (thousands)	150,197.9	150,197.9	150,197.9
Average number of shares (thousands)	150,197.9	150,197.9	150,197.9
Average number of diluted shares (thousands)	150,197.9	150,197.9	150,197.9
Personnel at the end of period	2,974	2 825	2,934

<sup>1</sup>In the comparison period, adjustment items are related to mergers and acquisitions or restructuring costs, outcome of material intellectual property rights disputes, gains and losses on business disposals, and other infrequent events.

<sup>2</sup> Not applicable due to equity distribution prior to the merger



## Formulas for key figures

Earnings before financial expenses, net, taxes and amortization, adjusted (adjusted EBITA)	=	Operating profit + adjustment items + amortization	
Earnings per share, basic	=	$\frac{\text{Profit attributable to shareholders}}{\text{Average number of outstanding shares during the period}}$	
Earnings per share, diluted	=	$\frac{\text{Profit attributable to shareholders}}{\text{Average number of diluted shares during the period}}$	
Equity/share	=	$\frac{\text{Equity attributable to shareholders}}{\text{Number of outstanding shares at the end of the period}}$	
Return on capital employed (ROCE) before taxes, %	=	$\frac{\text{Profit before tax + financial expenses}}{\text{Capital employed (average for the period)}} \times 100$	x 100
Gearing, %	=	$\frac{\text{Net interest bearing liabilities}}{\text{Total equity}} \times 100$	x 100
Debt to capital, %	=	$\frac{\text{Interest bearing liabilities}}{\text{Total equity + interest bearing liabilities}} \times 100$	x 100
Equity to assets ratio, %	=	$\frac{\text{Total equity}}{\text{Balance sheet total - advances received}} \times 100$	x 100
Free cash flow	=	Net cash flow from operating activities - investments in intangible and tangible assets + proceeds from sale of intangible and tangible assets	
Free cash flow/share	=	$\frac{\text{Free cash flow}}{\text{Average number of outstanding shares during the period}}$	
Cash conversion, %	=	$\frac{\text{Free cash flow}}{\text{Profit for the period}} \times 100$	x 100
Net debt	=	Interest bearing liabilities - non-current financial assets - loan and other interest bearing receivables (current and non-current) - cash and cash equivalents	
Net debt / EBITDA rolling 12 months, %	=	Net debt / EBITDA x 100	
Net working capital (NWC)	=	Inventories + trade receivables + other non-interest bearing receivables + customer contract assets and liabilities, net - trade payables - advances received - other non-interest bearing liabilities	

Capital employed = Net working capital + intangible and tangible assets + right-of-use assets + non-current investments + interest bearing receivables + cash and cash equivalents + tax receivables, net + interest payables, net

#### 4. Disaggregation of sales

Neles' sales consist of the sale of process industry flow control solutions with delivery of valves and services for delivered equipment. Equipment deliveries are recognized as revenue at point in time, when delivered, and sales from providing services are recognized when the services are rendered.

##### External sales by product type

EUR million	1-3/22	1-3/21	1-12/21
Products/equipment	129.4	97.7	462.8
Services	36.4	31.3	148.1
<b>Sales total</b>	<b>165.8</b>	<b>129.1</b>	<b>610.9</b>

##### External sales by geographical area

EUR million	1-3/22	1-3/21	1-12/21
EMEIA	59.1	52.3	245.3
North America	60.3	43.6	195.8
South America	11.2	13.6	51.3
Asia-Pacific	35.2	19.6	118.6
<b>Sales total</b>	<b>165.8</b>	<b>129.1</b>	<b>610.9</b>

#### 5. Reconciliation of adjusted EBITA and operating profit

EUR million	1-3/22	1-3/21	1-12/21
<b>Adjusted EBITA</b>	<b>26.7</b>	<b>15.9</b>	<b>86.8</b>
% of sales	16.1	12.3	14.2
Amortizations	-1.5	-0.8	-3.7
Adjustments			
- Merger and acquisition costs	-	-	-7.2
Adjustments, total	-	-	-7.2
<b>Operating profit</b>	<b>25.1</b>	<b>15.1</b>	<b>75.8</b>
% of sales	15.2	11.7	12.4

#### 6. Fair value estimation

For those financial assets and liabilities which have been recognized at fair value in the balance sheet, the following measurement hierarchy and valuation methods have been applied:

**Level 1** Quoted unadjusted prices at the balance sheet date in active markets. The market prices are readily and regularly available from an exchange, dealer, broker, market information service system, pricing service or regulatory agency. The quoted market price used for financial assets is the current bid price. Level 1 financial instruments include debt and equity investments classified as financial instruments at fair value through profit and loss.

Level 2 The fair value of financial instruments in Level 2 is determined using valuation techniques. These techniques utilize observable market data readily and regularly available from an exchange, dealer, broker, market information service system, pricing service or regulatory agency. Level 2 financial instruments include:

Over-the-counter derivatives classified as financial assets/liabilities at fair value through profit and loss or qualified for hedge accounting

Debt securities classified as financial instruments at fair value through profit and loss

Fixed rate debt under fair value hedge accounting

Level 3 A financial instrument is categorized into Level 3 if the calculation of the fair value cannot be based on observable market data. Neles had no such instruments.

The table below presents Neles' financial assets and liabilities that are measured at fair value. There have been no transfers between fair value levels during the periods.

EUR million	3/22			12/21		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>Assets</b>						
Financial assets at fair value through profit and loss						
Derivatives not under hedge accounting	-	3.6	-	-	1.2	-
<b>Total</b>	-	3.6	-	-	1.2	-
<b>Liabilities</b>						
Financial liabilities at fair value through profit and loss						
Derivatives not under hedge accounting	-	1.5	-	-	0.5	-
<b>Total</b>	-	1.5	-	-	0.5	-

The carrying value of other financial assets and liabilities than those presented in this fair value level hierarchy table approximates their fair value. Fair values of other debt are calculated as net present values.

## 7. Notional amounts of derivative instruments

EUR million	3/22	12/21
Forward exchange contracts	-1.3	-0.1
Nickel swap contracts	3.4	0.7

The notional amounts are for forward exchange contracts EUR 106 million (EUR 109 million in 2021) and for nickel swap contracts 288 tons (312 tons in 2021), which indicate the volumes in the use of derivatives, but not the exposure to risk.

## 8. Contingent liabilities and other commitments

EUR million	3/22	12/21
Guarantees		
External guarantees given by parent and group companies	39.3	39.4
Other commitments		
Repurchase commitments	24.5	22.8
Other contingencies	6.4	2.2
<b>Total</b>	<b>70.2</b>	<b>64.4</b>

## 9. Transactions and balances with related parties

Valmet Plc, holding a 29.5% stake of Neles shares on March 31, 2022, had the ability to exercise a significant influence over the company and is therefore reported as a related party to Neles.

Transactions with related party are made on terms equivalent to other external customers and on arm's length basis.

EUR million	1-3/22	1-12/21
Sales	1.1	10.7
Rental income	0.0	0.1
Receivables	1.3	1.6
Loan from Valmet Oyj	88.8	-

## 10. Quarterly information

EUR million, %	1-3/22	10-12/21	7-9/21	4-6/21	1-3/21	10-12/20	7-9/20	4-6/20	1-3/20
Orders received	196.0	170.4	149.6	151.3	153.9	134.5	133.8	130.9	190.9
Order backlog	331.4	294.4	292.0	303.9	298.4	270.3	292.8	305.3	337.4
Sales	165.8	174.2	161.5	146.2	129.1	154.9	144.0	140.6	136.8
Adjusted EBITA	26.7	26.8	25.0	19.0	15.9	22.7	22.8	22.9	16.7
% of sales	16.1	15.4	15.5	13.0	12.3	14.6	15.8	16.3	12.2
Amortization	1.5	1.3	0.8	0.8	0.8	0.9	1.0	0.8	0.8
Adjustment items	-	1.9	4.4	1.0	-	3.3	2.4	4.3	1.3
Operating profit	25.1	23.6	19.8	17.3	15.1	18.5	19.5	17.8	14.5
% of sales	15.2	13.6	12.3	11.8	11.7	12.0	13.5	12.6	10.6
Earning per share, EUR	0.12	0.14	0.09	0.08	0.07	0.08	0.09	0.08	0.07

## 11. Exchange rates

Currency	1-3/22	1-3/21	1-12/21	3/22	3/21	12/21
USD (US dollar)	1.1196	1.2063	1.1851	1.1101	1.1725	1.1326
BRL (Brazilian real)	5.8492	6.6089	6.3782	5.3009	6.7409	6.3101
INR (Indian rupee)	84.0707	88.3705	87.4940	84.1340	85.8130	84.2292
CNY (Chinese yuan)	7.0996	7.8367	7.6388	7.0403	7.6812	7.1947
SGD (Singapore dollar)	1.5155	1.6053	1.5891	1.5028	1.5768	1.5279
SEK (Swedish krona)	10.4205	10.1306	10.1469	10.3370	10.2383	10.2503
GBP (Pound sterling)	0.8383	0.8764	0.8615	0.8460	0.8521	0.8403
CAD (Canadian dollar)	1.4197	1.5317	1.4868	1.3896	1.4782	1.4393

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It should be noted that certain statements herein which are not historical facts, including, without limitation, those regarding expectations for general economic development and the market situation, expectations for customer industry profitability and investment willingness, expectations for company growth, development and profitability and the realization of synergy benefits and cost savings, and statements preceded by “expects”, “estimates”, “forecasts” or similar expressions, are forward-looking statements. These statements are based on current decisions and plans and currently known factors. They involve risks and uncertainties that may cause the actual results to materially differ from the results currently expected by the company.

Such factors include, but are not limited to:

- (1) general economic conditions, including fluctuations in exchange rates and interest levels that influence the operating environment and profitability of customers and thereby the orders received by the company and their margins,
- (2) the competitive situation, especially significant technological solutions developed by competitors,
- (3) the company’s own operating conditions, such as the success of production, product development and project management and their continuous development and improvement,
- (4) the success of pending and future acquisitions and restructuring.





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