

# Valmet and Neles to merge creating a leading company with a unique offering for process industries globally

Extraordinary General Meeting 2021

Pasi Laine, President and CEO

Valmet

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This presentation includes estimates relating to the synergy benefits expected to arise from the merger and the combination of the business operations of Valmet and Neles as well as the related integration costs, which have been prepared by Valmet and Neles and are based on a number of assumptions and judgments. Such estimates present the expected future impact of the merger and the combination of the business operations of Valmet and Neles on the combined company’s business, financial condition and results of operations. The assumptions relating to the estimated synergy benefits and related integration costs are inherently uncertain and are subject to a wide variety of significant business, economic, and competitive risks and uncertainties that could cause the actual synergy benefits from the merger and the combination of the business operations of Valmet and Neles, if any, and related integration costs to differ materially from the estimates in this presentation. Further, there can be no certainty that the merger will be completed in the manner and timeframe described in this presentation, or at all.

# Agenda

- 1 Valmet and Neles today
- 2 The combined company in brief – a leading company with a unique offering for process industries globally
- 3 The rationale for the combination
- 4 Valmet's financial targets after the merger
- 5 Concluding remarks



# Valmet and Neles today

# Valmet today

Orders received, 2020

EUR **3,653** million

**>220**  
years of industrial history

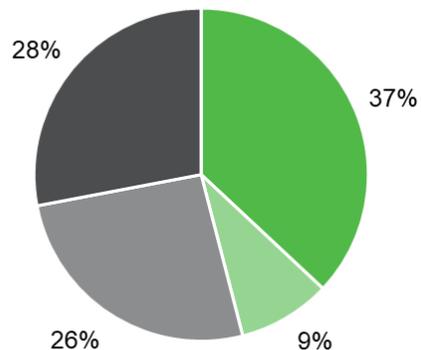
 **14,046**  
employees

 **>30**  
countries

Net Sales, 2020

EUR **3,740** million

Orders received by business line, 2020



Process technologies, services and automation for pulp, paper and energy industries



R&D spend, 2020

EUR **75** million

Comparable EBITA, 2020

EUR **365** million

9.8% margin

Protected inventions

**1,300**

**7**

consecutive years in Dow Jones Sustainability Indices

- Services
- Automation
- Pulp and Energy
- Paper

# Neles today

Orders, 2020

EUR **590** million



Expertise & innovation  
since 1950's



**~2,850**  
employees

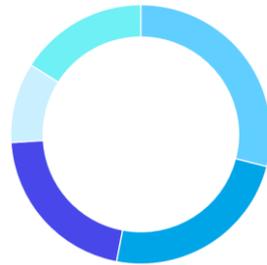


**~40**  
countries

Sales, 2020

EUR **576** million

Serving variety of industries



Pulp, Paper & Bio 29%  
Oil 24%  
Chemicals 21%  
Gases 10%  
Other industries 16%\*

\*Incl. Mining & Metals, Power, Water treatment, Food & Bev

Process-critical product portfolio

- Control valves
- On-off valves
- Intelligent safety valves
- Valve controllers, actuators and limit switches
- Valve spare parts
- Services

Valves

**~400,000**  
delivered annually

Adjusted EBITA, 2020

EUR **85** million  
14.8% margin

Actuators and positioners

**~160,000**  
delivered annually

Resilient business

~70% of sales customer OPEX driven



The Combined Company in brief - a leading company with a unique offering for process industries

# Creating a leading company with a unique offering for process industries

## Process technologies



Board and Paper

Market position  
**#1**



Pulp and Energy

Market position  
**#1-3**

## Services



Market position  
**#1-2**

## Automation



Flow Control

### Strong positions in

- Control valves and demanding on/off valves
- Process industry segments including pulp and paper



Automation Systems

Market position in Pulp and Paper  
**#1-3**

- Large recurring and stable business
- Solid platform to grow and develop all businesses
- Strong confidence and reputation among customers<sup>1</sup>
- A winning team with a shared heritage and performance orientation

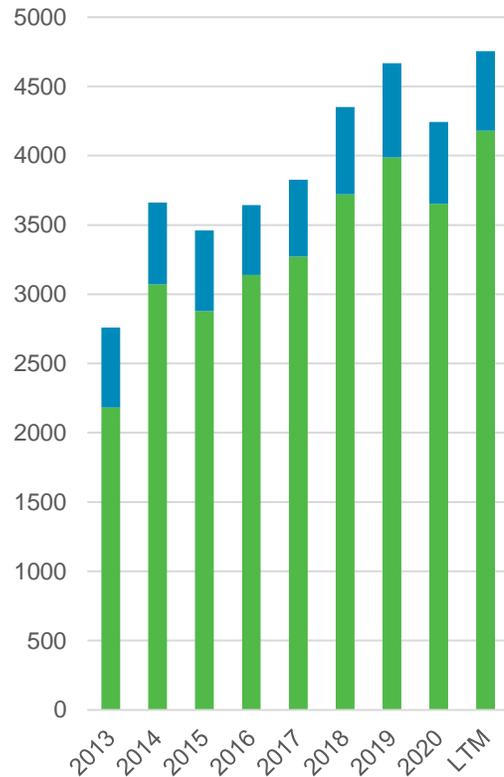


1) Based on global brand and customer satisfaction surveys

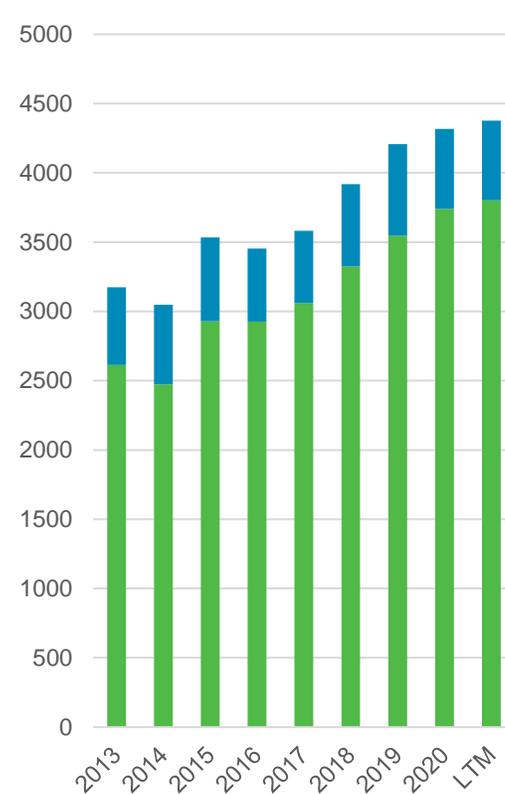
# Track-record of growth and continuous profit improvement

■ = Valmet  
■ = Neles

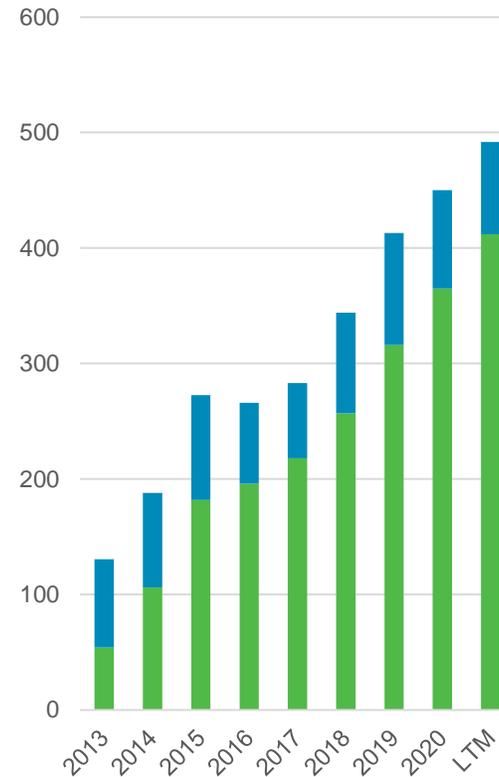
**Orders received**  
(EUR billion)



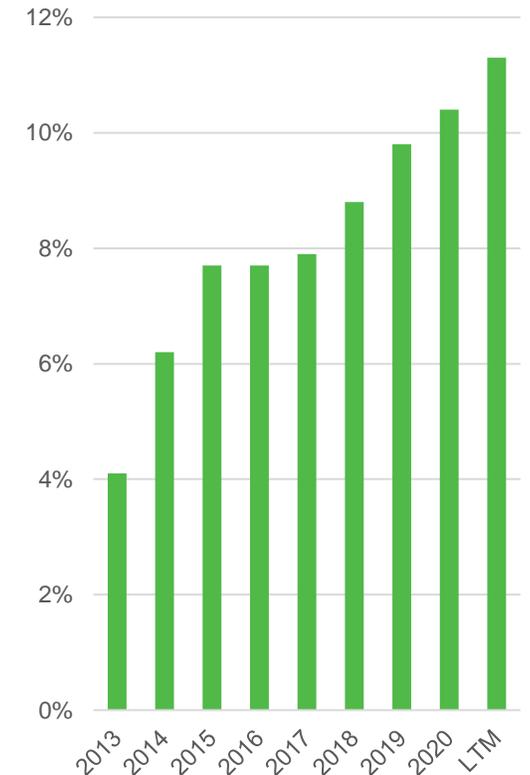
**Net sales**  
(EUR billion)



**Comparable EBITA**  
(EUR million)



**Comparable EBITA margin**  
(%, combined company)



Illustrative combined figures calculated by combining Valmet and Neles figures. LTM (last 12 months): Q3/2020-Q2/2021. Neles' figures for 2014-2015 are estimates based on Metso Flow Control (adjusted for structural changes) and 2013 based on Metso Automation (adjusted for structural changes).

# A strong financial profile and balanced business portfolio

Illustrative key figures of the Combined Company after the merger

**Orders received**  
EUR 4,243 million

**Net sales**  
EUR 4,309 million

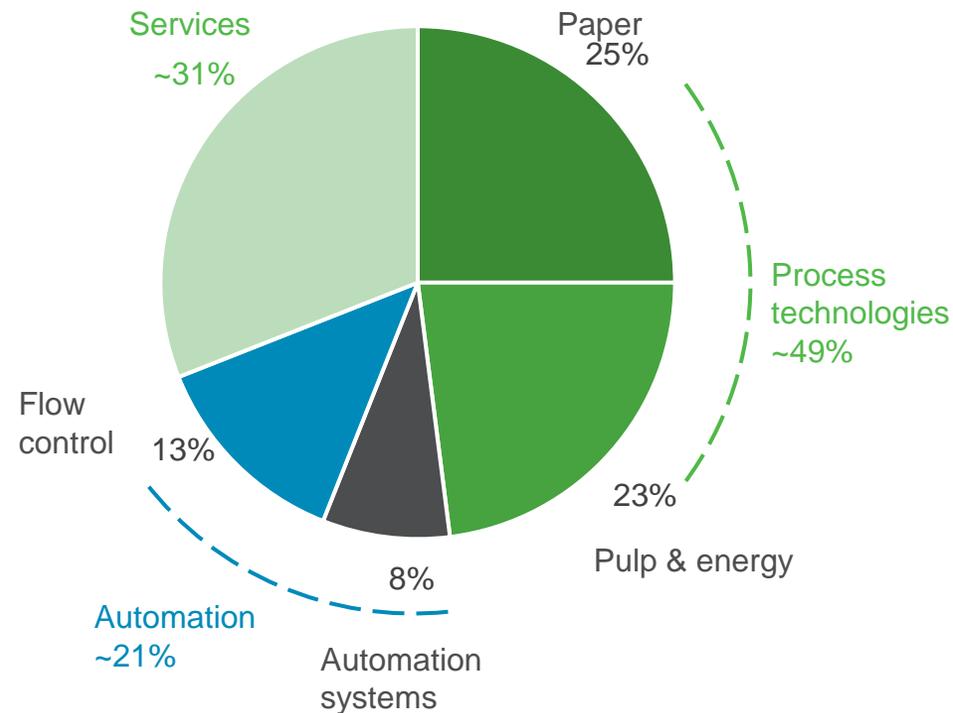
**Comparable EBITA**  
EUR 449 million

**Comparable EBITA margin**  
10.4%

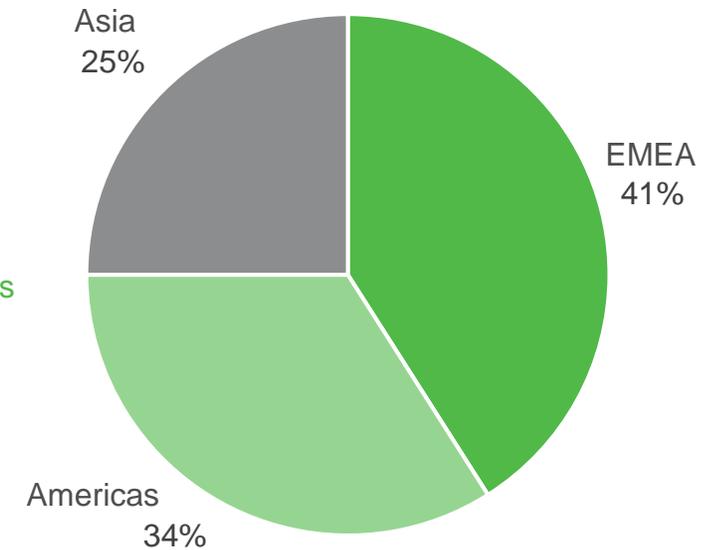
**Order backlog**  
EUR 3,527 million

**Employees**  
16,886

Net sales by segment

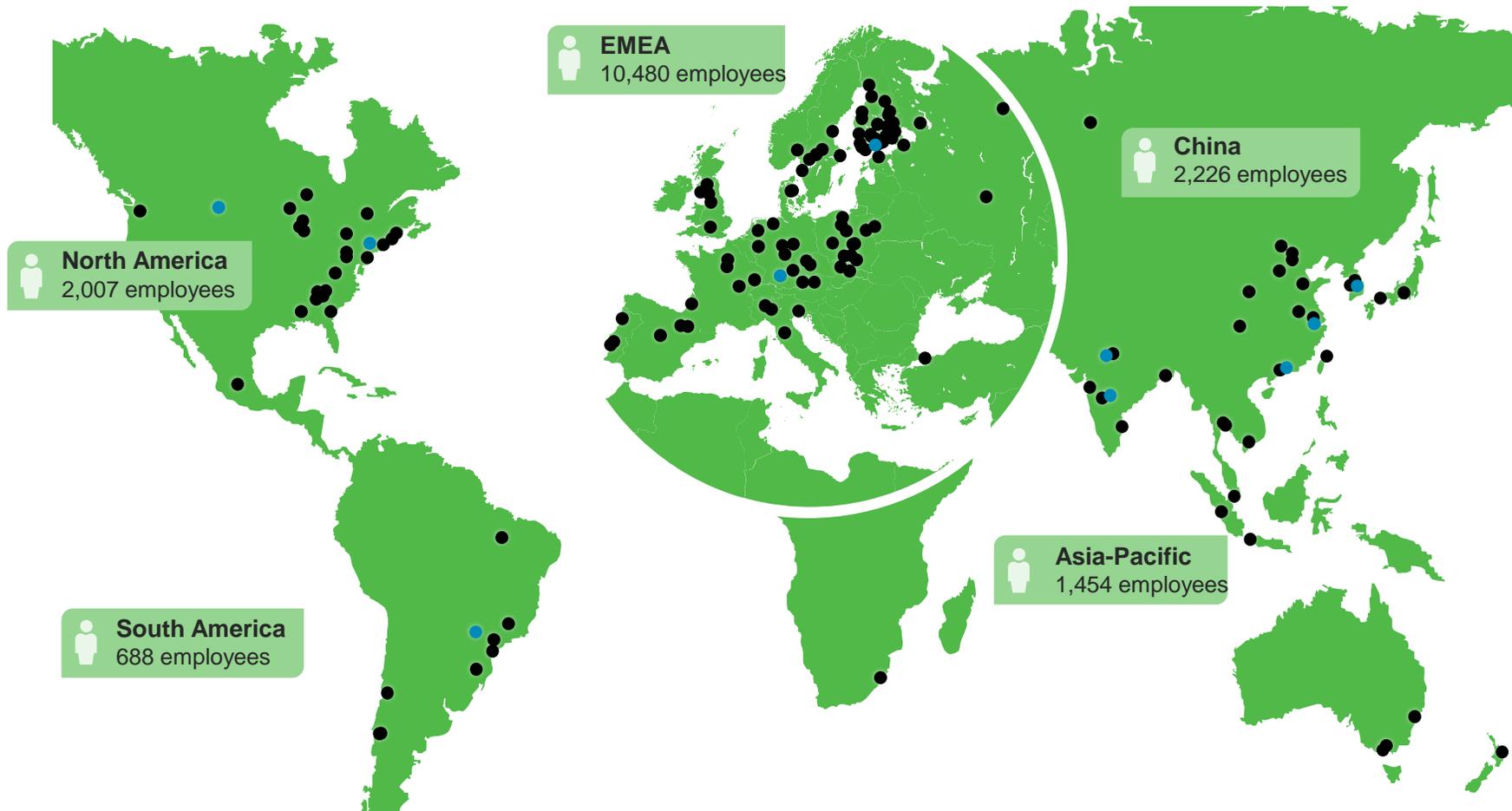


Net sales by area



All figures are illustrative, based on combined company 2020 figures. Neles' sales in India included in EMEA.

# Global presence creating a good platform for growth



~140  
service centers



54  
production units



23  
R&D centers



8  
Performance  
Centers



# Sustainability as a success factor

Acknowledged sustainability work and ability to bring tangible improvements to customers' sustainability performance

**Sustainable offering**  
enhancing energy, water and raw material efficiency, improving safety of customers' operations and promoting circular economy

**Ambitious climate program**  
targeting to reduce CO<sub>2</sub> emissions in the entire value chain and help customers to meet their CO<sub>2</sub> targets

**Systematic supply chain development**  
Sustainability engagement program and global supplier management process to build sustainable and efficient supply chain

**Strong HSE culture**  
Focus on health, safety and environmental performance of own operations and the industries we serve

**People focus**  
Consistent development of our people and promotion of equal opportunities, diversity and well-being

**Active global and local citizenship work**  
with focus on having positive impact on the society and environment, respecting human rights and ensuring transparent reporting

7 consecutive years in Dow Jones Sustainability Index

Best AAA rating in MSCI ESG rating

A- rating in CDP Climate

# Growth potential in all businesses and in new emerging sectors supported by favorable megatrends

## Growth in process technology

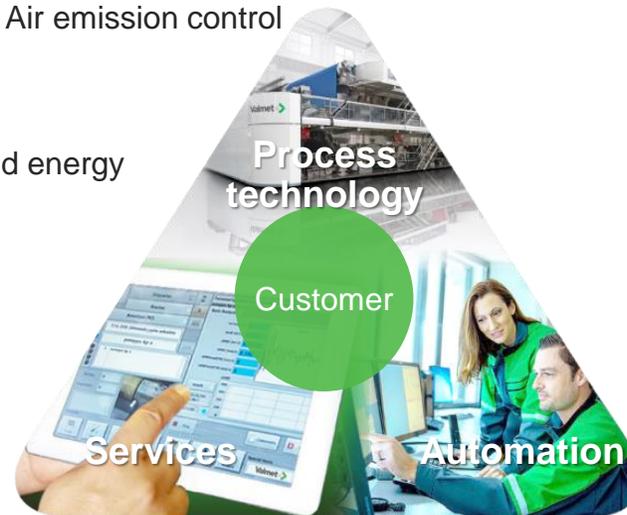
- Driven by e-commerce and emerging markets growth, shift to renewable materials, and rise in living standards

New emerging opportunities especially in

- Cellulose based and recycled textile production
- Plastic replacement and fiber-based products
- 3D molded fiber
- Second generation bioethanol
- Air emission control

## Growth in services

- Driven by increasing pulp, tissue, board and energy production and demand of raw material, environmental and process efficiencies
- Growth opportunities especially in
  - Spare parts and consumables
  - Process support and optimization
  - Filtration



## Growth in flow control and automation systems

- Similar growth drivers with process technologies and services added with demand for Industrial Internet based and digital solutions
- Growth opportunities especially in
  - Automation specialty systems
  - Network control
  - Process industry analyzers and measurements
  - Diversification into new process industries
  - Energy transition

## Global megatrends

Resource efficient and clean world

Digitalization and new technologies

Urban, responsible and global consumer



# The rationale for the combination

# Strategic rationale for the merger – key points



- 1 Unique, competitive and balanced total offering for process industries
- 2 Large recurring and stable business providing resilience to business cycles
- 3 Strong industrial logic from the combination of flow control and automation systems
- 4 Solid platform for further growth in flow control and automation systems
- 5 Revenue, technology development and cost synergy potential contributing to shareholder value creation
- 6 Valmet's track record in developing the integrated businesses

# Unique, competitive and balanced total offering for process industries

## Paper

- Board, paper and tissue production lines
- Rebuilds
- Stand-alone products

## Pulp

- Wood and pulp handling
- Fiber processing
- Recovery

## Energy

- Heat and power generation
- Air emission control
- Biofuels

## Services

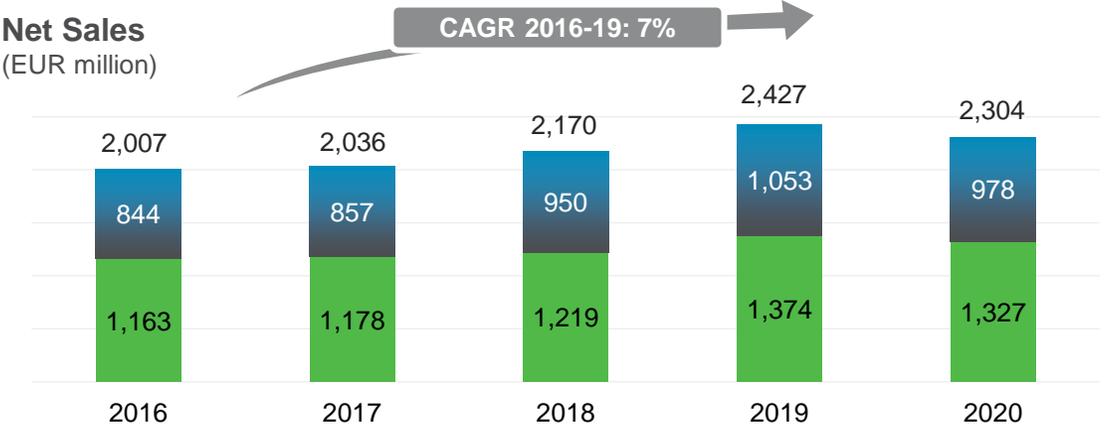
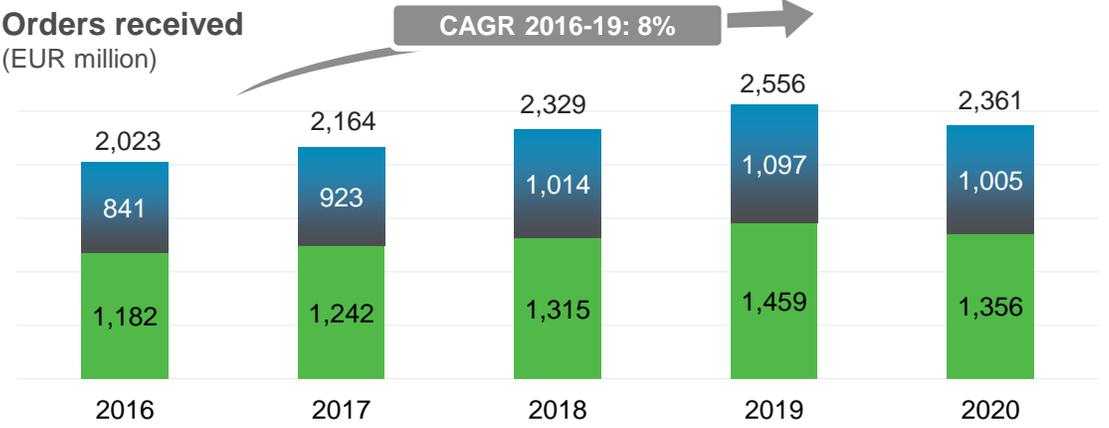
- Spare parts and components
- Maintenance and shutdown services
- Outsourcing services
- Production consumables
- Process support and optimization



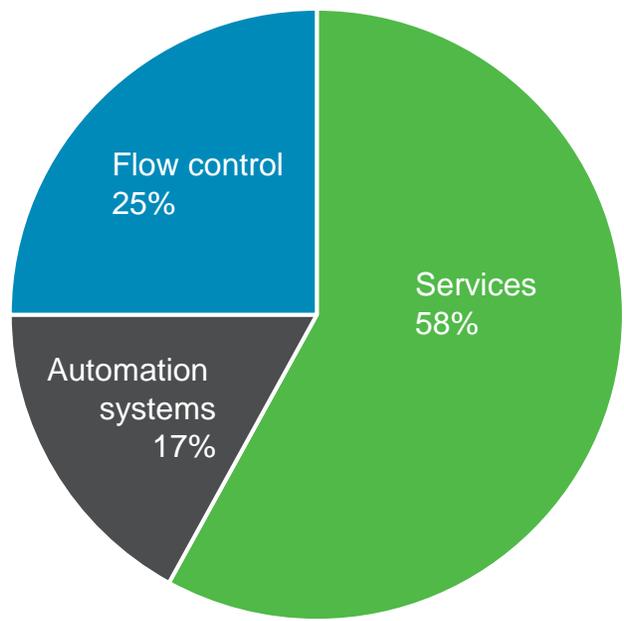
## Flow Control and Automation Systems across process industries

- Flow Control solutions
- Automation Systems
- Industrial Internet solutions

# Large recurring and stable business providing resilience to business cycles (illustrative figures)



## Services and automation business net sales split in 2020



Figures in dark green for Valmet services and blue for Flow control (Neles) and Automation Systems (Valmet's Automation, which includes internal orders received and net sales from other Valmet business lines)

# Strong industrial logic from the combination of flow control and automation systems



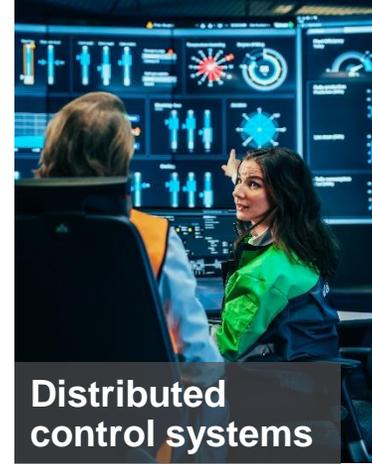
- Control valves
- Automated on/off valves
- Emergency shut-down valves



- High-performing pneumatic, electric and manual actuators designed to maximize life cycle and improve process efficiency



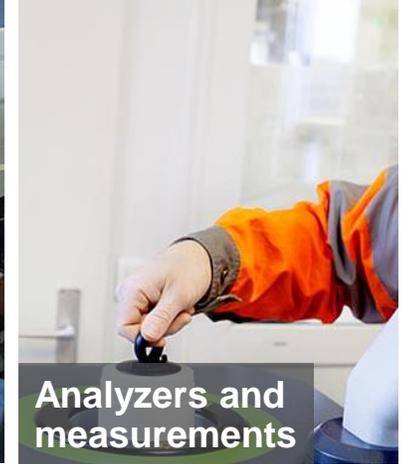
- Automatic valve controllers and valve positioners to improve process efficiency and enable predictive valve maintenance



- Highly integrated automation system for process control and condition monitoring



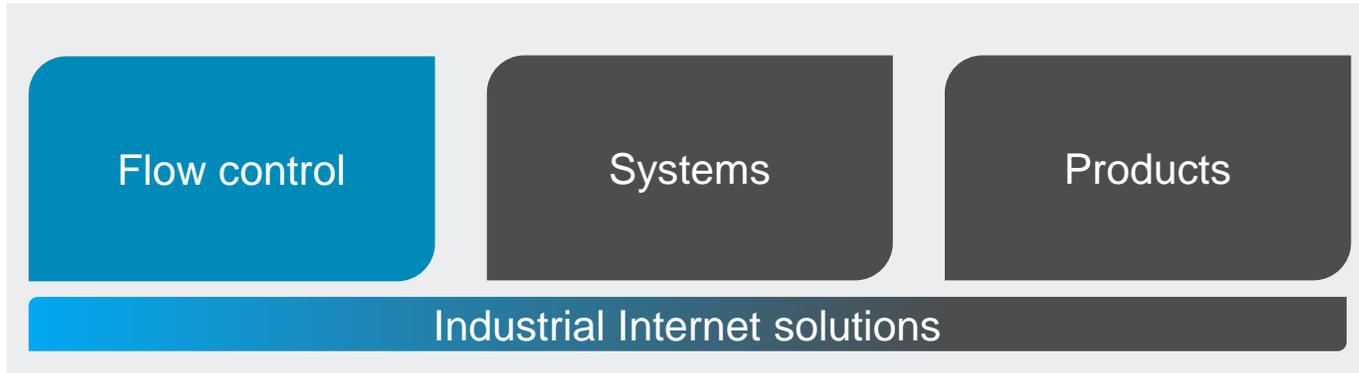
- Quality control system, quality management applications



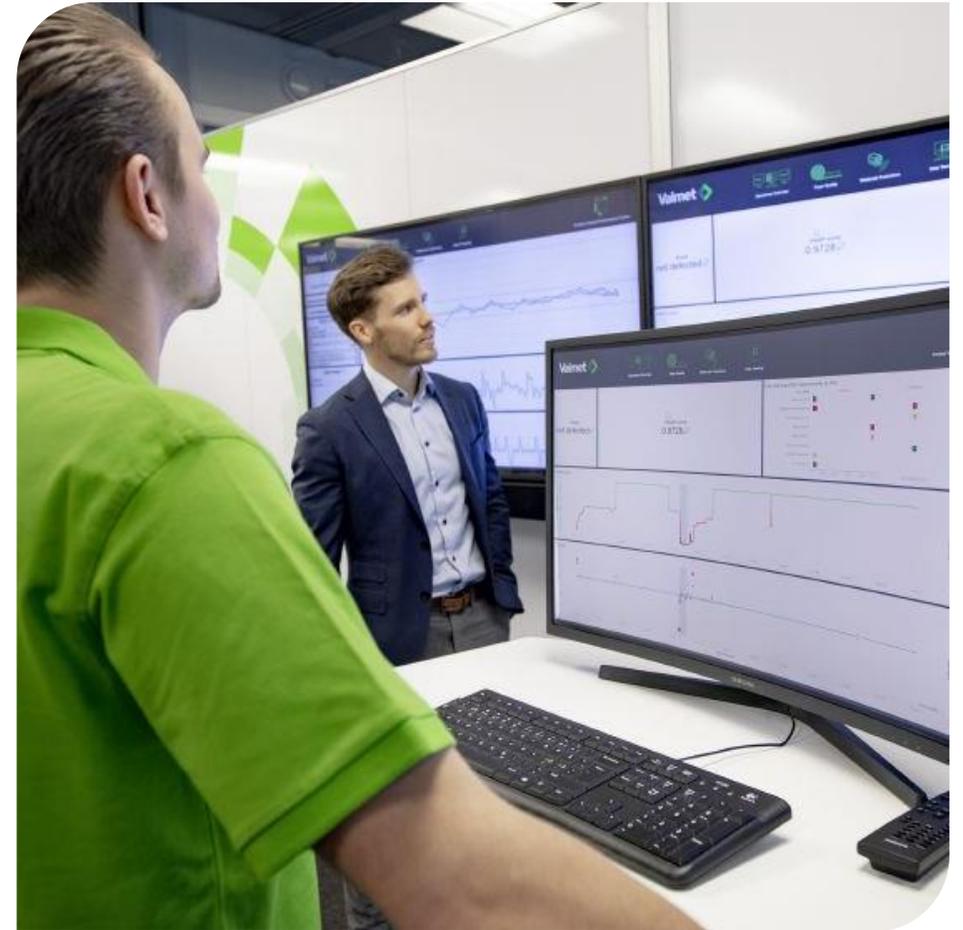
- For measuring and optimizing different variables in industrial processes

## Services and Industrial Internet solutions

# Solid platform for further growth in automation business



- A leading position in process-critical valves and valve automation products
  - Growth in current markets with valves, valve automation and valve controls
  - Further penetration in selected segments
  - Potential new applications including green hydrogen
- Growth by increased penetration into energy and process industry end-markets
  - Enhancement of existing process automation capabilities
- A leading position in pulp and paper analyzers and measurements
  - Growth by expansion in analyzers, measurements and sensors



# Revenue, technology development and cost synergy potential contributing to shareholder value creation

<b>Sales &amp; Offering</b>	Improved combined sales to pulp & paper customers
	Cross-sales to energy and process industry customers
	More comprehensive service offering and extended service network
<b>Technology Development</b>	Increased remote monitoring and predictive maintenance offering
	More capabilities to process automation technology development
<b>Costs</b>	Combined global and country-driven functions
	Common locations
	Listed company related cost savings
<b>Integration</b>	Same heritage, similar management models and values
	Strong track record of successful integration

Expected annual run-rate synergies of

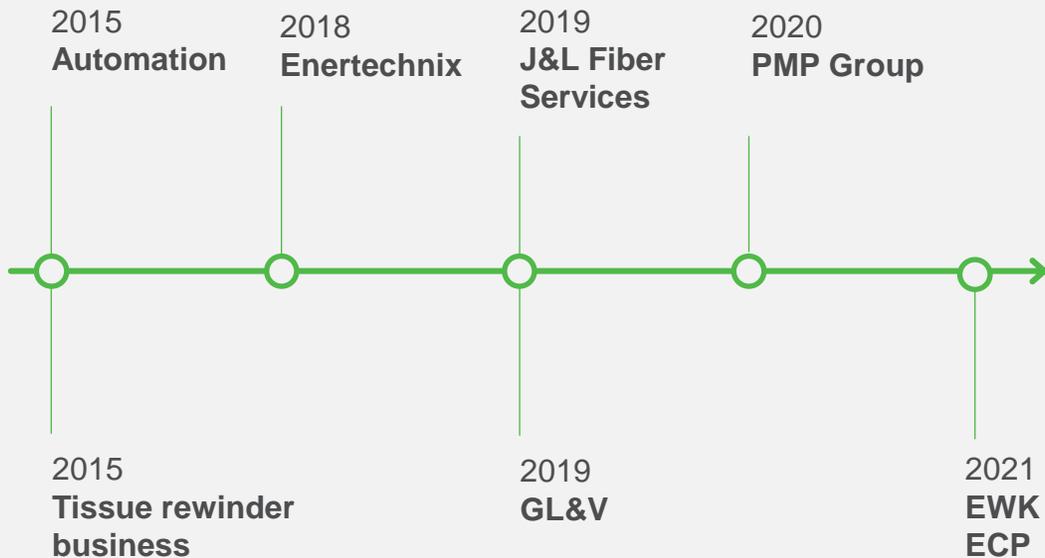
## EUR 25 million

~60% achieved by 2023 and ~90% by 2024

Total one-off implementation costs of EUR 25 million

# Valmet's track record in developing the integrated businesses

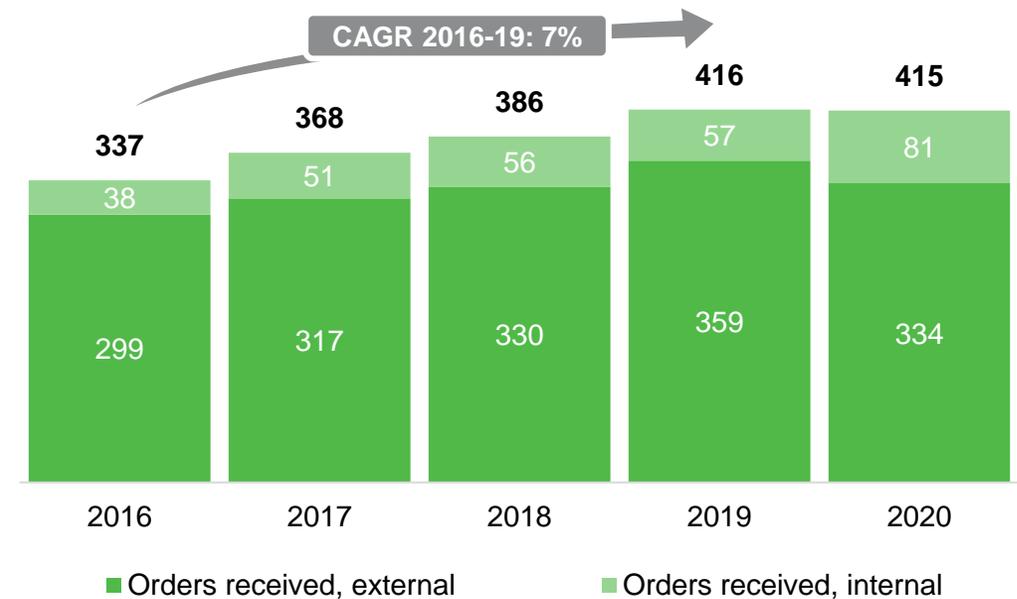
## Track record of successful acquisitions



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.

## Automation business line

Orders received (EUR million)





# Valmet's financial targets after the merger

# New financial targets approved by the Board of Directors of Valmet and aiming at consistent development path forward

## Growth

Net sales for services and automation<sup>1</sup> business to grow over two times the market growth

Net sales for capital business to exceed market growth

## Profitability

Comparable EBITA:  
12–14%

## ROCE

Comparable return on capital employed (ROCE) before taxes<sup>2</sup> at least 15%

## Dividend policy

Dividend payout at least 50% of net profit

The new financial targets have been approved by the Board of Directors of Valmet Oyj

1: Automation = Flow control (Neles) and Automation Systems (Valmet's Automation)

2: 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))



# Concluding remarks

# The merger creates a leading company with solid business fundamentals



## Solid business fundamentals and industrial logic

- Unique, competitive and balanced offering for process industries
- Leading market positions
- Sustainability as a success factor
- Broad global footprint and services network

## Strong financial profile

- Net sales\* around EUR 4.3 billion
- Comparable EBITA\* EUR 449 million
- Comparable EBITA margin\* 10.4%
- Large recurring and stable business
- New EBITA margin target 12-14 %

## Attractive growth potential

- Global megatrends are expected to drive growth in all businesses and create new emerging business opportunities
- A strong competence platform and resources for further growth in all businesses

## Excellent value for shareholders

- A solid and strong company with convincing financial track-record, continuous improvement and future growth opportunities
- Tangible revenue, technology development and cost synergy potential
- Integration with expected synergy realization

Excellent reputation, customer trust and reference base globally

Strong innovation capabilities

A globally balanced organization of 17,000 professionals

\*Illustrative figures based on combined company 2020 figures

