MERGER AND LISTING PROSPECTUS **SEPTEMBER 2, 2021**

The Boards of Directors of Valmet Oyj ("**Valmet**") and Neles Corporation ("**Neles**") have, on July 2, 2021, agreed upon the combination of the two companies by signing a combination agreement (the "**Combination Agreement**") and a merger plan (the "**Merger Plan**"), according to which Neles shall be merged into Valmet through a statutory absorption merger in accordance with the Limited Liability Companies Act (624/2006, as amended) (the "**Finnish Companies Act**") whereby all assets and liabilities of Neles shall be transferred without a liquidation procedure to Valmet (the "**Merger**"). The Boards of Directors of Valmet and Neles have on August 9, 2021 proposed that the Extraordinary General Meetings ("**EGM**") of Valmet and Neles convened to be held on September 22, 2021 would resolve upon the Merger as set forth in the Merger Plan. The completion of the Merger is subject to, among others, approval by the EGMs of Valmet and Neles, obtaining necessary merger control approvals by the relevant competition authorities and the fulfilment of other conditions to completion of the Merger set forth in the Combination Agreement and the Merger Plan or waiver of such conditions. Furthermore, it is required for the completion of the Merger that the Combination Agreement has not been terminated in accordance with its provisions, and that the execution of the Merger is registered with the trade register maintained by the Finnish Patent and Registration Office (the "**Finnish Trade Register**"). Information on the conditions to the completion of the Merger included in the Combination Agreement and the Merger Plan is presented in section "*Merger of Valmet and Neles – Combination Agreement – Conditions to the Completion of the Merger*" and in the Merger Plan, which is attached to this merger and listing prospectus (the "**Merger Prospectus**") as Annex D. The Merger shall be completed on the date of registration of the execution of the Merger with the Finnish Trade Register (the "**Effective Date**"). The planned Effective Date is January 1, 2022 (effective registration time approximately at 00:01). The planned Effective Date may change, and the actual Effective Date may be earlier or later than the above-mentioned date. As a result of the completion of the Merger on the Effective Date, Neles shall automatically dissolve. The Boards of Directors of Valmet and Neles have decided that it is in the best interest of their respective shareholders to propose the combination to their respective EGMs. The Boards of Directors of Valmet and Neles have concluded that the consideration being paid in connection with the Merger is fair from a financial point of view to their respective shareholders.

The Merger is based on an exchange ratio reflecting a relative value of Neles and Valmet of 0.3277:1. The shareholders of Neles shall receive as merger consideration 0.3277 new shares in Valmet (the "**Merger Consideration Shares**") for each share they hold in Neles (the "**Merger Consideration**"). This implies that, after the completion of the Merger, shareholders of Neles would own approximately 18.8 percent of the Shares (as defined below) and votes carried by the Shares of the Combined Company (as defined below) and shareholders of Valmet would own approximately 81.2 percent of the Shares and votes carried by the Shares of the Combined Company. The allocation of the Merger Consideration will be based on the shareholding in Neles at the end of the last trading day preceding the Effective Date. No Merger Consideration will be distributed to shares in Neles held by Neles itself or by Valmet. In case the number of the Merger Consideration Shares received by a shareholder of Neles (per each individual book-entry account) is a fractional number, the fractions shall be rounded down to the nearest whole number. Fractional entitlements to the Merger Consideration Shares will be aggregated and sold in trading on Nasdaq Helsinki Ltd ("**Nasdaq Helsinki**"), and the proceeds will be distributed to the shareholders of Neles entitled to receive such fractional entitlements in proportion to holding of such fractional entitlements. On the date of this Merger Prospectus, the total number of the Merger Consideration Shares to be issued is expected to be approximately 34,664,986 shares (excluding shares held by Valmet in Neles as well as treasury shares held by Neles, which do not entitle to the Merger Consideration, and assuming that none of Neles' shareholders will demand redemption of his/her/their shares at the EGM of Neles deciding on the Merger), and the total number of shares in the Combined Company would thus be 184,529,605 (each a "**Share**" and collectively the "**Shares**"). Following the approval of the Merger and the Merger Plan by the EGMs of Valmet and Neles, Neles' shareholders will not be required to take any action in order to receive the Merger Consideration. The Merger Consideration Shares shall be registered on the book-entry accounts of the shareholders of Neles on the Effective Date or as soon as reasonably possible thereafter in accordance with the practices followed by Euroclear Finland Oy ("**Euroclear Finland**"). See "*Merger of Valmet and Neles – Merger Plan – Merger Consideration*".

This Merger Prospectus has been prepared and published by Valmet for the purposes of issuing the Merger Consideration Shares to the shareholders of Neles. Valmet intends to apply for the Merger Consideration Shares to be listed on the official list of Nasdaq Helsinki (the "**Listing**"). For information on Valmet's obligation to supplement this Merger Prospectus, see "*Important Information*". An application for the Listing shall be submitted prior to the Effective Date. The trading in the Merger Consideration Shares on the official list of Nasdaq Helsinki is expected to begin on the Effective Date or as soon as reasonably possible thereafter (with the Effective Date being January 1, 2022, the trading in the Merger Consideration Shares is expected to begin on or about January 3, 2022).

NOT FOR PUBLICATION OR DISTRIBUTION, IN WHOLE OR IN PART, DIRECTLY OR INDIRECTLY, IN OR INTO AUSTRALIA, CANADA, THE HONG KONG SPECIAL ADMINISTRATIVE REGION OF THE PEOPLE'S REPUBLIC OF CHINA ("HONG KONG"), JAPAN, SINGAPORE, SOUTH AFRICA, THE UNITED STATES OR ANY OTHER JURISDICTION WHERE SUCH PUBLICATION OR DISTRIBUTION WOULD VIOLATE APPLICABLE LAWS OR RULES OR WOULD REQUIRE ADDITIONAL DOCUMENTS TO BE COMPLETED OR REGISTERED OR REQUIRE ANY MEASURE TO BE UNDERTAKEN IN ADDITION TO THE REQUIREMENTS UNDER FINNISH LAW. SEE "IMPORTANT INFORMATION" ON PAGE ii AND "CERTAIN MATTERS" ON PAGES 39–44 BELOW.

Investing in the Combined Company involves a number of risks, see "*Risk Factors.*"

Financial advisers of Valmet

Financial advisers of Neles

IMPORTANT INFORMATION

Valmet has prepared and published this Merger Prospectus in order to issue Merger Consideration Shares to the shareholders of Neles. This Merger Prospectus has been prepared in accordance with the following regulations: the Finnish Securities Markets Act (746/2012, as amended) (the "**Finnish Securities Markets Act**"), Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC, as amended (the "**Prospectus Regulation**"), Commission Delegated Regulation (EU) 2019/979 of March 14, 2019, supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council with regard to regulatory technical standards on key financial information in the summary of a prospectus, the publication and classification of prospectuses, advertisements for securities, supplements to a prospectus, and the notification portal, and repealing Commission Delegated Regulation (EU) No 382/2014 and Commission Delegated Regulation (EU) 2016/301, as amended, Commission Delegated Regulation (EU) 2019/980 of March 14, 2019 (Annexes 3, 12 and 20) supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation (EC) No 809/2004, as amended, and the regulations and guidelines issued by the Finnish Financial Supervisory Authority (the "**FIN-FSA**"). This Merger Prospectus contains a summary. The FIN-FSA has approved the Finnish Merger Prospectus as the competent authority under the Prospectus Regulation. The FIN-FSA only approves the Finnish Merger Prospectus as meeting the standards of completeness, comprehensibility, and consistency imposed by the Prospectus Regulation. Approval by the FIN-FSA of the Finnish Merger Prospectus shall not be considered as an endorsement of the issuer that is the subject of the Finnish Merger Prospectus. The Finnish Merger Prospectus has been drawn up as a simplified prospectus in accordance with Article 14 of the Prospectus Regulation. The journal number of the FIN-FSA's decision of approval is FIVA 54/02.05.04/2021. This Merger Prospectus is an English language translation of the Finnish Merger Prospectus, and it contains the same information as the Finnish Merger Prospectus. The English language Merger Prospectus has not been approved by the FIN-FSA. In the event of any discrepancies between the Finnish Merger Prospectus and this English language Merger Prospectus, the Finnish Merger Prospectus shall prevail. In accordance with section "*Certain Matters – Statement Regarding Information in the Merger Prospectus*", the persons responsible for this Merger Prospectus are also responsible for the Swedish translation of the summary, which will be notified to the financial supervisory authority in Sweden in accordance with the Prospectus Regulation.

In this Merger Prospectus, prior to the Effective Date, any reference to "**Valmet**" or "**Valmet Group**" means Valmet Oyj and its subsidiaries on a consolidated basis, except where it is clear from the context that the term means Valmet Oyj or a particular subsidiary or business unit only. Prior to the Effective Date, any reference to "**Neles**" or "**Neles Group**" means Neles Corporation and its subsidiaries on a consolidated basis, except where it is clear from the context that the term means Neles Corporation or a particular subsidiary or business unit only. However, references to shares, share capital and corporate governance of Valmet or Neles refer to shares, share capital and corporate governance of Valmet Oyj or Neles Corporation. The "**Combined Company**" refers to Valmet as of the Effective Date, once Neles has merged into Valmet.

Shareholders and investors should rely solely on the information contained in the Merger Prospectus as well as in the stock exchange releases published by Valmet or Neles. No person has been authorized to provide any information or give any statements other than those provided in the Merger Prospectus. Delivery of the Merger Prospectus shall not, under any circumstances, indicate that the information presented in the Merger Prospectus is correct on any day other than on the date of the Merger Prospectus, or that there would not have been any adverse changes or events after the date of the Merger Prospectus, which could have an adverse effect on Valmet's, Neles' or the Combined Company's business, financial position or results of operations. However, if a significant new factor, material mistake or material inaccuracy relating to the information included in the Merger Prospectus which may affect the assessment of the securities arises or is noted prior to the Listing, this Merger Prospectus will be supplemented in accordance with the Prospectus Regulation. The obligation to supplement the Merger Prospectus under the Prospectus Regulation will end when the Merger Prospectus expires. This Merger Prospectus is valid until the Listing, but will, however, expire on September 1, 2022, at the latest. Information given in the Merger Prospectus is not a guarantee or grant for future events by Valmet or Neles or for the Combined Company and shall not be considered as such. Unless otherwise stated, any estimates with respect to market development relating to Valmet or Neles or their industry are based upon reasonable estimates of the management of the respective company that such information concerns.

In a number of jurisdictions, such as in Australia, Canada, Hong Kong, Japan, Singapore, South Africa and the United States, the distribution of this Merger Prospectus may be subject to restrictions imposed by law (such as registration of the relevant offering documents or transaction, admission, qualification and other regulations). In particular, neither the Merger Consideration Shares nor any other securities referenced in this Merger Prospectus have been registered or will be registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**") or the securities laws of any state of the United States and as such neither the Merger Consideration Shares nor any other security referenced in this Merger Prospectus may be offered or sold in the United States except pursuant to an applicable exemption from registration under the U.S. Securities Act. This Merger Prospectus is neither an offer to sell nor the solicitation of an offer to buy any securities and shall not constitute an offer, solicitation or sale in the United States or any other jurisdiction in which such offering, solicitation or sale would be unlawful. This Merger Prospectus must not be released or otherwise forwarded, distributed or sent, directly or indirectly, in whole or in part, in or into the United States or any jurisdiction where the distribution of these materials would breach any applicable law or regulation or would require any registration or licensing within such jurisdiction. Failure to comply with the foregoing limitation may result in a violation of the U.S. Securities Act or other applicable securities law or regulation.

Neither the Merger Prospectus, any notification nor any other Merger material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Neither Valmet, Neles nor financial advisors of Valmet and Neles accept any legal responsibility for persons who have obtained the Merger Prospectus in violation of these restrictions, irrespective of whether these persons are prospective recipients of the Merger Consideration Shares. No actions have been taken to register or qualify the Merger Consideration Shares for public offer in any jurisdiction other than Finland and Sweden.

Any disputes arising in connection with the Finnish Merger Prospectus or this Merger Prospectus will be settled exclusively by a court of competent jurisdiction in Finland. Investors must not construe the contents of this Merger Prospectus as legal, investment or tax advice. Each investor is instructed, as they consider it necessary, to consult such investor's own counsel, accountant or business advisor as to legal, investment and tax advice and related matters pertaining to the Merger.

Nordea Bank Abp ("**Nordea**") is acting exclusively for Valmet in connection with the Merger and for no one else and will not be responsible to anyone other than Valmet for providing the protections afforded to its clients or for providing advice in relation to the Merger. For the avoidance of doubt, Nordea is not registered as a broker or dealer in the United States and in its capacity as financial advisor will not be engaging in direct communications relating to the Merger with shareholders located within the United States (whether on a reverse-inquiry basis or otherwise).

Bank of America Europe Designated Activity Company, Stockholm Branch ("**BofA Securities**") is acting exclusively for Valmet in connection with the Merger and for no one else and will not be responsible to anyone other than Valmet for providing the protections afforded to its clients or for providing advice in relation to the Merger.

Morgan Stanley & Co. International plc ("**Morgan Stanley**") and Access Partners Oy ("**Access Partners**") are acting exclusively for Neles in connection with the Merger and for no one else and will not be responsible to anyone other than Neles for providing the protections afforded to its clients or for providing advice in relation to the Merger.

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SUMMARY

Introduction

*This summary should be considered as an introduction to the merger and listing prospectus (the "**Merger Prospectus**"). Any decision by an investor to invest in the securities issued by Valmet Oyj should be based on consideration of this Merger Prospectus as a whole. An investor investing in the securities could lose all or part of the invested capital. Where a claim relating to the information contained in this Merger Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the member states, have to bear the costs of translating this Merger Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled this summary including any translation thereof, but only if the summary is misleading, inaccurate, or inconsistent when read together with the other parts of this Merger Prospectus or where it does not provide, when read together with the other parts of this Merger Prospectus, key information in order to aid investors when considering whether to invest in the securities issued by Valmet Oyj.*

The identity and contact details of the issuer are:

Company	Valmet Oyj
Business identity code	2553019-8
Legal entity identifier ("**LEI**")	213800D9O7FUQDH83V62
Domicile	Helsinki, Finland
Registered office	Keilasatama 5, FI-02150 Espoo, Finland

Valmet Oyj's ("**Valmet**") shares are subject to trading on the official list of Nasdaq Helsinki Ltd ("**Nasdaq Helsinki**") under the trading code "VALMT" (ISIN code: FI4000074984).

The identity and contact details of the merging company are:

Company	Neles Corporation
Business identity code	1538032-5
LEI	2138007FRMWVPUDCMA45
Domicile	Vantaa, Finland
Registered office	Vanha Porvoontie 229, FI-01380 Vantaa, Finland

Neles Corporation's ("**Neles**") shares are subject to trading on the official list of Nasdaq Helsinki under the trading code "NELES" (ISIN code: FI4000440664).

Hereinafter, the term "**Combined Company**" refers to Valmet as of the date of registration of the execution of the merger of Valmet and Neles (the "**Effective Date**"). Neles intends to merge into Valmet through a statutory absorption merger in accordance with the Limited Liability Companies Act (624/2006, as amended) (the "**Finnish Companies Act**") whereby all assets and liabilities of Neles shall be transferred without a liquidation procedure to Valmet (the "**Merger**").

The Finnish Financial Supervisory Authority ("**FIN-FSA**") has, in its capacity as competent authority under the Prospectus Regulation, approved the Merger Prospectus on September 2, 2021. The journal number of the FIN-FSA's approval of the Merger Prospectus is FIVA 54/02.05.04/2021. The FIN-FSA's address is P.O. Box 103, FI-00101 Helsinki, Finland, its telephone number is +358 9 183 51 and its email address is kirjaamo@finanssivalvonta.fi.

Key Information on Valmet and Neles

Who is the Issuer of the Securities?

The issuer's legal and commercial name is Valmet Oyj in Finnish, Valmet Abp in Swedish and Valmet Corporation in English. Valmet is a Finnish public limited liability company subject to the laws of Finland and domiciled in Helsinki, Finland, and its LEI is 2138007FRMWVPUDCMA45.

Principal Activities

Valmet is a leading global developer and supplier of process technologies, automation, and services primarily for the pulp, paper and energy industries as well as municipal and industrial heat and power producers. Valmet focuses on delivering technology, automation and services globally to industries that use bio-based raw materials. Valmet's main customer industries are pulp, board, tissue, paper, and biomass, municipal and industrial residual waste-based heat and power production. The company's customer base also includes other process industries and marine, where Valmet's automation solutions are widely used. Valmet's main customer industries are all major global industries that offer growth potential for the future. Valmet is organized around four business lines and five geographical areas. The four business lines are Services, Automation, Pulp and Energy, and Paper, which are responsible for product and solution development, global project and services sales and marketing, project and services execution, and global sourcing and production. The five geographical areas are North America, South America, EMEA (Europe, Middle East, and Africa) ("**EMEA**"), Asia-Pacific, and China.

Major Shareholders

Shareholders owning 5 percent or more of the shares or proportion of voting rights in Valmet have an interest in the company's share capital which is notifiable pursuant to the Finnish Securities Markets Act (746/2012, as amended) (the "**Finnish Securities Markets Act**"). The following table sets forth the shareholders owning 5 percent or more of the shares or proportion of voting rights in Valmet, based on information available to Valmet as at August 30, 2021:

Shareholder	**Number of shares**	**Percent of shares and votes**
Solidium Oy[1]	16,695,287	11.14

[1] Solidium is a holding company wholly owned by the State of Finland.

To the extent known to Valmet, Valmet is not, directly or indirectly, owned or controlled by any one person. Valmet is not aware of any arrangements that may lead to a change of control in Valmet.

President and CEO and Executive Team

The following table sets forth the members of Valmet's Executive Team as at the date of this Merger Prospectus:

Name	**Year of birth**	**Position**	**Appointed**
Pasi Laine	1963	President and CEO	2013
Aki Niemi	1969	Business Line President, Services	2017
Sami Riekkola	1974	Business Line President, Automation	2018
Bertel Karlstedt	1962	Business Line President, Pulp and Energy	2015
Jari Vähäpesola	1959	Business Line President, Paper	2013
Jukka Tiitinen	1965	Area President, North America	2021
Celso Tacla	1964	Area President, South America	2013
Vesa Simola	1967	Area President, EMEA	2015
Xiangdong Zhu	1967	Area President, China	2017
Petri Paukkunen	1966	Area President, Asia Pacific	2021
Julia Macharey	1977	Senior Vice President, Human Resources and Operational Development	2013
Kari Saarinen	1961	CFO	2015
Anu Salonsaari-Posti	1968	Senior Vice President, Marketing, Communications, Sustainability and Corporate Relations	2013

Statutory Auditor

Valmet's statutory auditor is PricewaterhouseCoopers Oy, Authorized Public Accountants, with Authorized Public Accountant Pasi Karppinen acting as the auditor with principal responsibility. Pasi Karppinen is registered in the register of auditors referred in Section 9 of Chapter 6 of the Auditing Act (1141/2015, as amended) (the "**Finnish Auditing Act**").

What Is the Key Financial Information Regarding the Issuer?

The following table presents selected consolidated financial information of Valmet as at and for the financial year ended December 31, 2020, and as at and for the six months period ended June 30, 2021, and June 30, 2020. The selected consolidated financial information presented below has been derived from Valmet's audited consolidated financial statements as at and for the year ended December 31, 2020 prepared in accordance with IFRS as adopted by the European Union ("**EU**") and Valmet's unaudited consolidated half-year financial report as at and for the six months ended June 30, 2021 prepared in accordance with "IAS 34 – Interim Financial Reporting", including the unaudited comparative financial information for the six months ended June 30, 2020, both of which are incorporated by reference into this Merger Prospectus.

The following table sets forth a summary of Valmet's key financial information as at the dates and for the periods indicated:

EUR million, unless otherwise indicated	As at and for the six months ended June 30, 2021	As at and for the six months ended June 30, 2020	As at and for the year ended December 31, 2020
	(unaudited)		(unaudited, unless otherwise indicated)
Consolidated Statement of Income			
Net sales	1,801	1,740	3,740[1)]
Net sales change, %	3%	10%	5%
Comparable EBITA	175	128	365
% of net sales	9.7%	7.4%	9.8%
Comparable return on capital employed (ROCE) before taxes, %	19%	17%	22%
Operating profit	161	104	319[1)]
% of net sales	8.9%	6.0%	8.5%
Profit for the period	121	74	231[1)]
% of net sales	6.7%	4.3%	6.2%
Earnings per share, EUR	0.81	0.49	1.54[1)]
Consolidated Balance Sheet			
Total assets	4,144	3,544	3,959[1)]
Total equity	1,144	967	1,142[1)]
Net interest-bearing liabilities	-9	-223	149
Consolidated Statement of Cash Flows			
Net cash provided by (+) / used in (-) operating activities	328	324	532[1)]
Net cash provided by (+) / used in (-) investing activities	-35	-44	-592[1)]
Net cash provided by (+) / used in (-) financing activities	-145	-74	28[1)]

[1)] Audited.

There are no qualifications in the audit report relating to Valmet's audited consolidated financial statements as at and for the year ended December 31, 2020.

Who is the Merging Company?

The merging company's legal and commercial name is Neles Oyj in Finnish, Neles Abp in Swedish and Neles Corporation in English. Neles is a Finnish public limited liability company subject to the laws of Finland and domiciled in Vantaa, Finland, and its LEI is 2138007FRMWVPUDCMA45.

Principal Activities

Neles delivers mission-critical flow control innovations, technologies, and services for the continuously evolving needs of global process industries, helping customers to improve their process performance and to ensure the safe flow of materials. Neles' leading brands include Neles, Jamesbury and Easyflow by Neles. Neles' businesses have been organized in three business lines: Valve Equipment, Valve Controls and Actuators as well as Services. Neles has four market areas that are responsible for sales and services.

Major Shareholders

Shareholders owning 5 percent or more of the shares or proportion of voting rights in Neles have an interest in Neles' share capital which is notifiable pursuant to the Finnish Securities Markets Act. The following table sets forth shareholders owning 5 percent or more of the shares or proportion of voting rights in Neles, based on information available to Neles as at August 30, 2021.

Shareholder	Number of shares	Percent of shares and votes
Valmet Oyj	44,415,207	29.54
Cevian Capital Partners Limited	16,351,141	10.88
Alfa Laval Ab (publ)	12,723,923	8.46

To the extent known to Neles, Neles is not, directly or indirectly, owned or controlled by any one person. Neles is not aware of any arrangements that may lead to a change of control in Neles.

President and CEO and Executive Team

The following table sets forth the members of Neles' Executive Team as at the date of this Merger Prospectus:

Name	Year of birth	Position	Appointed
Olli Isotalo	1959	President and CEO	2020
Simo Sääskilahti	1971	CFO and Deputy to CEO	2020
Elisa Erkkilä	1967	General Counsel	2021
Fabio Maia	1974	Head of South and Central America Market Area	2020
Hang Pheng Tan	1968	Head of Asia Pacific Market Area	2020
Hanne Peltola	1969	Head of HR	2020
Jon Jested-Rask	1975	Head of EMEIA Market	2020
Kaisa Voutilainen	1982	Head of Communications and Marketing	2020
Kalle Suurpää	1974	Head of Valve Controls and Actuators Business Line	2020
Kevin Tinsley	1962	Head of Global Operations	2020
Patrick Dunn	1967	Head of North America Market Area	2020
Sami Nousiainen	1972	Head of Valves Services Business Line	2020
Timo Hänninen	1961	Head of Valves Equipment Business Line	2020

Statutory Auditor

Neles' statutory auditor is Ernst & Young Oy, Authorized Public Accountants, with Authorized Public Accountant Toni Halonen acting as the auditor with principal responsibility. Toni Halonen is registered in the register of auditors referred in Section 9 of Chapter 6 of the Finnish Auditing Act.

What Is the Key Financial Information Regarding the Merging Company?

The following table presents selected consolidated financial information of Neles as at and for the financial year ended December 31, 2020, and as at and for the six months period ended June 30, 2021, and June 30, 2020. The selected consolidated financial information presented below has been derived from Neles' audited consolidated financial statements as at and for the year ended December 31, 2020 prepared in accordance with IFRS as adopted by the EU and Neles' unaudited consolidated half-year financial report as at and for the six months ended June 30, 2021 prepared in accordance with "IAS 34 – Interim Financial Reporting", including the unaudited comparative financial information for the six months ended June 30, 2020, both of which are incorporated by reference into this Merger Prospectus.

The following table sets forth a summary of Neles key financial information as at the dates and for the periods indicated:

EUR million, unless otherwise indicated	As at and for the six months ended June 30, 2021	As at and for the six months ended June 30, 2020	As at and for the year ended December 31, 2020
	(unaudited)		(audited, unless otherwise indicated)
Consolidated Statement of Income			
Sales	275	277	576
Adjusted EBITA	35	40	85[1)]
% of sales	12.7%	14.3%	14.8%[1)]
Operating profit	32	32	70
% of sales	11.8%	11.7%	12.2%[1)]
Profit for the period, continuing operations	22	22	48
% of sales	8.2%	7.8%	8.4%[1)]
Earnings per share, EUR, continuing operations	0.15	0.14	0.32
Consolidated Balance Sheet			
Total assets	648	632	644
Total equity	259	253	263
Net interest bearing liabilities	88	99	81
Consolidated Statement of Cash Flows, continuing operations [2)]			
Net cash provided by (+) / used in (-) operating activities	31	23	81
Net cash provided by (+) / used in (-) investing activities	-4	-8	-12
Net cash provided by (+) / used in (-) financing activities	-37	44	13

[1)] Unaudited.
[2)] Cash flows for the periods 1–6/2020 and 1–12/2020 are for Neles' continuing operations, which are calculated based on Neles carve-out figures for the period 1–6/2020.

There are no qualifications in the audit report relating to Neles' audited consolidated financial statements as at and for the year ended December 31, 2020.

Unaudited Pro Forma Financial Information

The pro forma combined financial information (the "**Pro Forma Information**") is presented for illustrative purposes only to give effect to the Merger of Valmet and Neles to Valmet's financial information as if the Merger had been completed at an earlier date. The pro forma statements of income for the six months ended June 30, 2021 and for the year ended December 31, 2020 give effect to the Merger as if it had occurred on January 1, 2020. The pro forma statement of financial position as at June 30, 2021 gives effect to the Merger as if it had occurred on that date. The Pro Forma Information is unaudited.

The hypothetical financial position and results included in the Pro Forma Information may differ from the Combined Company's actual financial position and results. Further, the Pro Forma Information does not purport to project the financial position or results of the Combined Company as of any future date. In addition, the Pro Forma Information does not reflect any cost savings, synergy benefits or future integration costs that are expected to be generated or may be incurred as a result of the Merger. The Pro Forma Information has been compiled in accordance with the Annex 20 to the Commission Delegated Regulation (EU) 2019/980, and on a basis consistent with the accounting principles applied by Valmet in its consolidated financial statements prepared in accordance with IFRS.

The Merger will be accounted for as a business combination in accordance with the acquisition method of accounting under the provisions of IFRS with Valmet determined as the acquirer of Neles. As Valmet holds an equity interest in Neles prior to the Merger, the Merger is accounted for as a business combination achieved in stages. In the Merger, Valmet's previously held equity interest in Neles will be remeasured to fair value at the Effective Date and a gain or loss will be recognized in the consolidated statement of income of Valmet at the Effective Date. The purchase consideration will include fair value of the Merger Consideration and fair value of Valmet's previously held equity interest in Neles.

The Pro Forma Information reflects adjustments to the historical financial information to give pro forma effect to events that are directly attributable to the Merger and are factually supportable. The pro forma adjustments include certain assumptions related to the fair value of the purchase consideration, the fair valuation of the net assets acquired, accounting policy alignments, financing arrangements and other events related to the Merger, that the management believes are reasonable under the circumstances. Considering the ongoing regulatory approval processes which restrict Valmet's access to detailed data of Neles and the fact that the final accounting measures of the Merger can only be done at the Effective Date, the pro forma adjustments presented are preliminary and based on information available at this time. The Pro Forma Information is subject to change, among others, due to the final fair value of the Merger consideration and Valmet's previously held equity interest in Neles being determined based on the then-current fair value of Valmet's share as at the Effective Date and the final purchase price allocation being based on the fair values of Neles' assets acquired and liabilities assumed as at the Effective Date. Further, Valmet is able to conduct a detailed review of Neles' accounting policies only after the Effective Date due to restrictions on information sharing before the Merger.

There can be no assurance that the assumptions used in the preparation of the Pro Forma Information or presenting Neles' financial information in the Pro Forma Information in Valmet's presentation format will prove to be correct. The actual results of the Merger may materially differ from the assumptions used and the pro forma adjustments reflected in the Pro Forma Information. Further, the accounting policies to be applied by the Combined Company in the future may differ from the accounting policies applied in the Pro Forma Information.

The following table sets forth a summary of key figures relating to Pro Forma Information as at the dates and for the periods indicated:

	As at and for the six months ended June 30, 2021				**For the year ended December 31, 2020**			
EUR million, unless otherwise indicated	**Valmet historical**	**Neles reclassi-fied**	**Merger**	**Com-bined Company pro forma**	**Valmet historical**	**Neles reclassi-fied**	**Merger**	**Com-bined Company pro forma**
	(unaudited)				**(unaudited, unless otherwise indicated)**			
Net sales	1,801	275	-7	2,069	3,740[1]	576	-15	4,301
Comparable EBITA	175	35	-0	210	365	85	-1	449
Operating profit	161	32	-17	176	319[1]	70	14	403
Profit for the period	121	22	-13	131	231[1]	48	45	324
Basic earnings per share, EUR	0.81			0.71	1.54[1]			1.76
Total assets	4,144	648	1,532	6,325				
Total equity	1,144	259	1,100	2,503				
Net interest-bearing liabilities	-9	88	242	320				

1) Audited.

What are the Key Risks that Are Specific to the Combined Company?

- the Combined Company may not be able to realize the expected benefits of the Merger or be successful in combining the business operations of Valmet and Neles in the manner or within the timeframe estimated, and the implementation costs may exceed estimates;
- various factors may cause that the Merger is not completed or that its completion is delayed;
- the Merger may not necessarily be completed in the manner currently contemplated, which could have a material adverse effect on the estimated benefits of the Merger or the market price of the shares in Valmet and/or Neles;
- geopolitical tensions, trade barriers and sanctions, political uncertainty and uncertain global economic and financial market conditions could adversely affect the Combined Company's business, financial position, results of operations and prospects;
- the COVID-19 pandemic and other potential pandemics may adversely affect the demand for, the delivery capability and the costs of the Combined Company's products and services, availability of financing, and it is difficult to assess all of the effects of the COVID-19 pandemic in advance;
- the Combined Company's business will be affected by the Combined Company's customers' industries and their cyclical nature;
- the Combined Company will operate in highly competitive markets and it may not be successful in responding to changes in its operating environment and developing products and services that allow it to maintain its market position;
- the Combined Company's operations will have a large share of contracts for projects, which exposes the Combined Company to risks relating to project completion and may result in cost overruns;

- the Combined Company's operations, products and services will largely rely on data networks, software and digital solutions, and any malfunctions, breaches and cyber security breaches in such networks, software and solutions as well as potential failures in information system development projects, such as the ongoing renewing of the Enterprise Resource Planning system, may adversely affect the business and financial position of the Combined Company and lead to reputational damage;
- a failure to meet customers' expectations as regards the Combined Company's product and services offering may have an adverse effect on the Combined Company's reputation, business, financial position and results of operations;
- fluctuations in foreign exchange rates could have a material adverse effect on the Combined Company's business, financial position, results of operations and prospects; and
- the Combined Company will be exposed to liquidity risks.

Key Information on the Securities

What Are the Main Features of the Securities?

As at the date of this Merger Prospectus, Valmet's registered share capital is EUR 100,000,000 and the number of shares issued is 149,864,619. The shares have no nominal value, are denominated in euro and all shares issued have been paid in full and issued in accordance with Finnish laws. Valmet has one class of shares, the ISIN code of which is FI4000074984.

The shareholders of Neles shall receive as merger consideration 0.3277 new shares in Valmet (the "**Merger Consideration Shares**") for each share they hold in Neles (the "**Merger Consideration**"). The Merger Consideration Shares correspond to the existing share class in Valmet. Each Merger Consideration Share entitles to one vote at the General Meetings of Valmet and all Merger Consideration Shares provide equal rights to dividend and other distributable funds of Valmet, including the distribution of Valmet's assets in dissolution. There are no voting restrictions related to the Merger Consideration Shares and they are freely transferrable.

The rights attached to the Merger Consideration Shares are determined by the Finnish Companies Act and other applicable Finnish regulation and include, among other things, a pre-emptive right to subscribe for new Shares (as defined below) in the Combined Company, right to attend and vote at the General Meetings of the Combined Company, right to dividend and other distributions of equity, and other rights under the Finnish Companies Act.

The dividends paid and other unrestricted equity distributed by Valmet or Neles for previous financial years are not an indication of the dividends to be paid by the Combined Company in the future, if any. There can be no assurance that the Combined Company will distribute any dividends or unrestricted equity in the future. The Combined Company will determine its dividend policy after the Effective Date and annually assess the preconditions for distributing dividend or other unrestricted equity.

Where Will the Securities Be Traded?

Valmet intends to apply for the Merger Consideration Shares to be listed on the official list of Nasdaq Helsinki (the "**Listing**"). An application for the Listing shall be submitted prior to the Effective Date. The trading in the Merger Consideration Shares on the official list of Nasdaq Helsinki is expected to begin approximately on the Effective Date or as soon as reasonably possible thereafter (with the Effective Date being January 1, 2022, the trading in the Merger Consideration Shares is expected to begin on or about January 3, 2022).

What Are the Key Risks that Are Specific to the Securities?

- the market price of the Shares may fluctuate considerably, which may result in investors losing all or part of their invested capital;
- the Combined Company may be unable to, or may decide not to, pay dividends or other distributions of unrestricted equity in the future; and
- interests of certain large shareholders of Valmet and Neles or the Combined Company may differ from those of other shareholders.

Key Information on the Offer of Securities to the Public and the Admission to Trading on a Regulated Market

Why Is This Merger Prospectus Being Produced?

This Merger Prospectus has been prepared and published by Valmet for the purposes of offering Merger Consideration Shares to the shareholders of Neles and applying for the Listing as described above in "*Key Information on the Securities*

– *Where Will the Securities Be Traded*?". The Boards of Directors of Valmet and Neles have on July 2, 2021, agreed upon the combination of the two companies by signing a combination agreement (the "**Combination Agreement**") and a merger plan (the "**Merger Plan**"), according to which Neles shall be merged into Valmet through a statutory absorption merger in accordance with the Finnish Companies Act whereby all assets and liabilities of Neles shall be transferred without a liquidation procedure to Valmet.

The proposed combination is expected to:

- Create a leading company with a unique, competitive and balanced total offering for process industries globally with
  - pro forma net sales of EUR 4.3 billion in 2020 and approximately 17,000 employees;
  - strong positions in its respective segments including paper, board, pulp and energy technologies, flow control, automation systems and services;
  - a combined business benefitting from diversified product platforms, end markets and customers with relevant scale in key markets; and
  - an ideal positioning to benefit from the strong sustainability focus in the Combined Company's end markets through megatrends such as energy transition and increasing demand for renewables;
- Create opportunities to exceed market growth, increase profitability and maintain a strong financial profile with end markets diversification across process industries and a large recurring and stable automation and services business providing resilience to business cycles;
- Enhance the Combined Company's competitive positioning and offering through the strong industrial benefits of the combination of flow control and automation systems;
- Create a platform for further growth in the automation and flow control business;
- Contribute to shareholder value through, among others, synergies expected from the combination; and
- Benefit from Valmet's track record and know-how in developing integrated businesses as evidenced by its growth path of automation.

The name of the Combined Company will remain Valmet Oyj, and the location of the headquarters of the Combined Company will be in Espoo, Finland.

There will be no proceeds accruing from the issuance of the Merger Consideration Shares to the Combined Company.

Nordea Bank Abp and Bank of America Europe Designated Activity Company, Stockholm Branch acting as the financial advisers of Valmet, and Access Partners Oy and Morgan Stanley & Co. International plc, acting as the financial advisers of Neles, as well as other entities within the same groups, have provided to Valmet and Neles, and may provide to the Combined Company in the future, investment or other banking services in the ordinary course of their business.

The total costs estimated to be incurred by Valmet and Neles in connection with the Merger primarily comprise financial, legal and advisory costs and amount to approximately EUR 29 million (excluding financing transaction costs).

Under which Conditions and Timetable can I Invest in this Security?

The Boards of Directors of Valmet and Neles have on August 9, 2021 proposed that the Extraordinary General Meetings ("**EGM**") of Valmet and Neles convened to be held on September 22, 2021 would resolve upon the Merger as set forth in the Merger Plan. The completion of the Merger is subject to, among others, approval by the EGMs of Valmet and Neles, obtaining necessary merger control approvals by the relevant competition authorities and the fulfilment of other conditions to completion of the Merger set forth in the Combination Agreement and the Merger Plan or waiver of such conditions. Furthermore, it is required for the completion of the Merger that the Combination Agreement has not been terminated in accordance with its provisions, and that the execution of the Merger is registered with the trade register maintained by the Finnish Patent and Registration Office (the "**Finnish Trade Register**"). The Merger shall be completed on the date of registration of the execution of the Merger with the Finnish Trade Register. The planned Effective Date is January 1, 2022 (effective registration time approximately at 00:01). The planned Effective Date may change, and the actual Effective Date may be earlier or later than the above-mentioned date. As a result of the completion of the Merger on the Effective Date, Neles shall automatically dissolve. Valmet intends to apply for the listing of the Merger Consideration Shares to trading on the official list of Nasdaq Helsinki. Trading in the Merger Consideration Shares is expected to commence on the official list of Nasdaq Helsinki on or about the Effective Date or as soon as reasonably possible thereafter (with the Effective Date being January 1, 2022, the trading in the Merger Consideration Shares is expected to begin on or about January 3, 2022).

The Merger is based on an exchange ratio reflecting a relative value of Neles and Valmet of 0.3277:1. The shareholders of Neles shall receive as Merger Consideration 0.3277 Merger Consideration Shares for each share they hold in Neles. This implies that, after the completion of the Merger, shareholders of Neles would own approximately 18.8 percent of the Shares and votes carried by the Shares of the Combined Company and shareholders of Valmet would own approximately 81.2 percent of the Shares and votes carried by the Shares of the Combined Company, assuming that none of Neles shareholders demands redemption of his/her/their shares at the EGM of Neles resolving on the Merger and that no additional shares are issued by Valmet or Neles. The allocation of the Merger Consideration will be based on the shareholding in Neles at the end of the last trading day preceding the Effective Date. No Merger Consideration will be distributed to treasury shares held by Neles or shares in Neles held by Valmet. The exchange ratio of the Merger Consideration Shares has been agreed in the Combination Agreement and the Merger Plan and will not be adjusted to reflect potential fluctuations in the market price of the shares in Valmet or Neles.

In case the number of the Merger Consideration Shares received by a shareholder of Neles (per each individual book-entry account) is a fractional number, the fractions shall be rounded down to the nearest whole number. Fractional entitlements to the Merger Consideration Shares will be aggregated and sold in trading on Nasdaq Helsinki, and the proceeds will be distributed to the shareholders of Neles entitled to receive such fractional entitlements in proportion to holding of such fractional entitlements. Any costs related to the sale and distribution of fractional entitlements shall be borne by Valmet.

Based on the situation on the date of this Merger Prospectus, the total number of the Merger Consideration Shares to be issued is expected to be approximately 34,664,986 shares (excluding shares held by Valmet in Neles as well as treasury shares held by Neles, which do not entitle to the Merger Consideration, and assuming that none of Neles' shareholders will demand redemption of his/her/their shares at the EGM of Neles deciding on the Merger), and the total number of shares in the Combined Company would thus be 184,529,605 (each a "**Share**" and collectively the "**Shares**"). The final total number of Merger Consideration Shares could be affected by, among others, a change in the number of Neles' shares issued and outstanding. Changes in the number of Neles' and Valmet's shares issued and outstanding are possible only in situations permitted in the Combination Agreement and Merger Plan. The Merger Consideration shall be issued in the book-entry securities system maintained by Euroclear Finland Oy ("**Euroclear Finland**"). The Merger Consideration payable to each shareholder of Neles shall be calculated, using the exchange ratio set forth above, based on the number of shares in Neles registered in each separate book-entry account of each such shareholder at the end of the last trading day preceding the Effective Date. Following the approval of the Merger and the Merger Plan by the EGMs of Valmet and Neles, Neles' shareholders will not be required to take any action in order to receive the Merger Consideration. The Merger Consideration Shares shall be registered on the book-entry accounts of the shareholders of Neles on the Effective Date or as soon as reasonably possible thereafter in accordance with the practices followed by Euroclear Finland.

The Merger Consideration Shares shall carry full shareholder rights as from the date of their registration with the Finnish Trade Register.

No expenses are charged by Valmet and Neles from their respective shareholders in relation to the Merger.

RISK FACTORS

An investment in the Combined Company involves risks, which may be significant. The following describes the risks relating to the Merger, as well as the risks relating to the Combined Company and its business and Shares, including the Merger Consideration Shares, on the date hereof. Many of the risks related to the Combined Company will be inherent to the Combined Company's business and typical in the Combined Company's industry. Shareholders should carefully review and consider the information contained in this Merger Prospectus, and in particular, the risk factors described below. More information regarding the Combined Company and the rationale and benefits of the Merger is presented in the section "Information on the Combined Company".

Unless a risk factor specifically refers to the Merger or business operations planned in conjunction with it, the risks presented describe the effects of their materialization on the Combined Company through describing Valmet's and Neles' existing business operations prior to the Merger. Prior to the completion of the Merger, materialization of the risks presented herein could also have the effect described in the risk factor on Valmet or Neles, their shareholders or the market prices of their respective shares, on a stand-alone basis. The description of risk factors below is based on information available and estimates made on the date of this Merger Prospectus and, therefore is not necessarily exhaustive. Some of the described risks may or may not materialize, and neither Valmet nor Neles is able to present an estimate of the probability of such events materializing or failing to materialize. Should one or more of the risk factors described in this Merger Prospectus materialize, either individually or together with other circumstances, it could have a material adverse effect on the Combined Company's business, financial position, results of operations, future prospects and the market price of the Shares, including the Merger Consideration Shares. The Combined Company also faces additional risks not currently known or not currently deemed material, which could also have a material adverse effect on the Combined Company's business, financial position, results of operations and the market price of the Shares, including the Merger Consideration Shares. The market price of the Shares, including the Merger Consideration Shares, could decline due to the realization of these risks, and investors could lose part or all of their investment.

The risk factors presented herein have been divided into six categories based on their nature. These categories are:

- *Risks Related to the Merger;*
- *Risks Related to the Combined Company's Operating Environment;*
- *Risks Related to the Combined Company's Business;*
- *Risks Related to the Combined Company's Customer Relationships;*
- *Risks Related to the Combined Company's Financial Position and Financing; and*
- *Risks Related to the Shares.*

Within each category, the risk factor estimated to be the most material on the basis of an overall assessment of the criteria set out in the Prospectus Regulation is presented first. However, the order in which the risk factors are presented after the first risk factor in each category is not intended to reflect either the relative probability or the potential impact of their materialization. The order of the categories does not represent any evaluation of the materiality of the risk factors within that category when compared to risk factors in another category.

Certain factors related to the Combined Company's business that should be considered before making an investment in the Combined Company have been explained alongside other matters in sections "Information on the Combined Company", "Information on Valmet – Business of Valmet" and "Information on Neles – Business of Neles".

This section contains forward-looking statements. These statements are not guarantees of the Combined Company's financial performance. The Combined Company's actual results of operations or financial position may differ materially from the results of operations or financial position contained in or implied by the forward-looking statements due to several factors. For more information, see section "Certain Matters – Forward-looking statements".

Risks Related to the Merger

The Combined Company may not be able to realize the expected benefits of the Merger or be successful in combining the business operations of Valmet and Neles in the manner or within the timeframe estimated, and the implementation costs may exceed estimates.

Achieving the expected benefits of the Merger (see "*Information on the Combined Company – Synergies*") will depend largely on the timely and efficient combination of Valmet's and Neles' business operations. The estimates on the Merger, the total synergies expected to arise from the combination of the business operations of Valmet and Neles and on the related implementation costs have been prepared by Valmet and Neles and are based on a number of estimates and assumptions that are inherently uncertain. Furthermore, such estimates and assumptions are also subject to risks that, if materialized, could cause the actual results to differ materially from those contained in the synergy, benefit and related cost estimates.

Achieving the expected benefits of the Merger could be delayed or the Merger could be prevented by, among others, the following risks, which might also result in the estimated implementation costs being exceeded:

- competition authorities or other regulatory authorities may impose conditions on the Merger, such as obligations for Valmet and Neles to divest assets or businesses, or prohibit the Merger;
- the general economic conditions may develop adversely in the Combined Company's operating countries or globally;
- the Combined Company may not be able to react to market changes when combining business and support functions;
- the Combined Company may not be able to successfully implement a new organizational and governance model, which may require restructuring of the organization, or re-evaluating its headcount;
- the Combined Company may not be able to secure sufficient financing for the Combined Company;
- the Combined Company may not achieve the expected sales if the companies' existing customers or partners seek to exploit a wider supplier base;
- the companies may not succeed in managing the integration planning process, and the integration may disturb the efficiency, accuracy, continuity and consistency of the Combined Company's control, administrative and support functions, such as financing operations, cash management, hedging, insurance, financial control and reporting, information technology, communications, human resources and compliance functions;
- Valmet's and Neles' labor practices may be different and decrease the Combined Company's profitability, and their alignment may be more time-consuming and expensive than anticipated;
- the Combined Company may not succeed in the integration strategy related to, and/or in the integration and harmonization of, the technology platforms, data models and data architectures and IT operations passed down from Valmet and Neles;
- the Combined Company may not succeed in the retention of senior management and/or key personnel; and
- the Merger requires significant amounts of management time and effort, which may impair Valmet's and Neles' respective management's ability to effectively run Valmet's and Neles' respective businesses during the Merger process, including managing customer and internal development projects and mitigating existing risks.

If the Combined Company fails to realize the anticipated synergies or other benefits or recognize further synergies or benefits, or the estimated implementation costs of the Merger are exceeded, the targets and benefits of the Merger may not be realized.

Materialization of any of the above risks could have a material adverse effect on the business, financial position, results of operations, future prospects, or Share price of the Combined Company.

Various factors may cause that the Merger is not completed or that its completion is delayed.

If the completion of the Merger has not taken place by December 31, 2022 (the "**Long Stop Date**"), and unless the Long Stop Date has been postponed, or if it becomes evident that the completion of the Merger cannot take place by the Long Stop Date regardless of any possible course of action by Valmet or Neles, the Combination Agreement may be terminated with immediate effect by either of Valmet or Neles, in which case the Merger would not be completed.

The materialization of, among others, any of the following risks could cause that the Merger is not completed. For information on all of the conditions precedent for the Merger contained in the Combination Agreement and the Merger Plan, see "*Merger of Valmet and Neles – Combination Agreement*", "*Merger of Valmet and Neles – Merger Plan – Conditions for the Merger*", and the Merger Plan, which is attached to this Merger Prospectus as Annex D.

- Merger control approvals from competition authorities may not be obtained or may be subsequently cancelled or obtaining such approvals may take longer than expected. Such approvals may also include terms and conditions requiring, among other things, the divestment of one or more assets anticipated to be part of the Combined Company, which Valmet or Neles may not be able or obligated to complete;

- The Boards of Directors of Valmet and Neles have, on August 9, 2021, each proposed that the EGMs of Valmet and Neles convened to be held on September 22, 2021, would approve the Merger (see "*Merger of Valmet and Neles – Extraordinary General Meeting of Valmet for Approving the Merger*" and "*Merger of Valmet and Neles – Extraordinary General Meeting of Neles for Approving the Merger*"). In accordance with the Finnish Companies Act, resolving on a merger requires the support of at least two-thirds of the votes cast and the shares represented at the meeting. If the EGMs of either Valmet or Neles do not approve the Merger and the Merger Plan in the form proposed by the Boards of Directors of Valmet and Neles, the Merger will not be completed.
- Although shareholders of Valmet and Neles, holding on August 30, 2021 approximately 16.9 percent of the outstanding shares and votes carried by the outstanding shares of Valmet and approximately 15.4 percent (approximately 45.0 percent together with Valmet) of the outstanding shares and votes carried by the outstanding shares of Neles, have irrevocably undertaken, subject to certain customary conditions, to attend the respective EGMs of Valmet and Neles and to vote in favor of the Merger (see "*Merger of Valmet and Neles – Shareholder Support*"), there can be no assurance that these shareholders will uphold their undertakings, and Valmet or Neles may not be able to enforce their commitments;
- Pursuant to the Finnish Companies Act, the Merger includes a creditor summons process during which the creditors of the merging company (*i.e.*, creditors of Neles) may object to the Merger until the due date of the creditor hearing process. In the Merger, the due date for the creditor hearing process is November 30, 2021. If at least one of Neles' creditors objects to the Merger and does not revoke such objection, the completion of the Merger will not be registered until a competent district court has issued a confirmatory judgment stating that the objecting creditor has received payment for its receivables or that a security for the payment of the creditor's receivables has been posted. If one or more of Neles' creditors object to the Merger in the creditor hearing process, the creditor hearing process could delay the completion of the Merger;
- To ensure sufficient funding and liquidity reserves following the completion of the Merger, Neles seeks to obtain certain consents and waivers from the lenders under its existing financing arrangements in order for its existing financing arrangements to continue in force and survive the Merger and to be wholly or partially refinanced by the Combined Company in connection with or after the Merger. Certain Valmet's existing financing arrangements may be cancelled and prematurely accelerated due to the completion of the Merger. Such financing arrangements of Valmet and Neles, that could possibly be accelerated, will be refinanced with EUR 695 Million Facilities (defined below). In addition, Valmet and Neles have received re- and back-up financing commitments by Danske Bank A/S ("**Danske Bank**") and Nordea for the establishment of the New Facilities Agreements (defined in below). If Neles fails to meet the terms of the waiver from the lenders under its existing financing arrangements before the completion of the Merger, and if the Merger has not been completed by December 31, 2022, the post-completion financing would not be available for the Combined Company neither under the existing financing arrangements of Neles nor the New Facilities Agreements, which could delay the completion of the Merger or prevent it entirely; and
- Any of the representations and warranties given by Valmet and Neles to each other in the Combination Agreement could be breached in a manner which have resulted in or could reasonably be expected to result in a material adverse effect (as defined in the Combination Agreement) with respect to Valmet, Neles or the Combined Company (see "*Merger of Valmet and Neles – Combination Agreement – Representations and Warranties*"). If such a breach would be incapable of being cured, such breach could result in the Combination Agreement being terminated and the Merger not being completed.

The costs related to the Merger for the companies are expected to be significant even if the Merger is not eventually completed. The respective managements and key employees of Valmet and Neles have also used, and will continue to use, significant amounts of time preparing the Merger. If the Merger is not completed, the significant expenses incurred and resources used by Valmet and Neles may not be necessary, business opportunities that could have otherwise been pursued with the resources used for preparation may be lost, and the reputation of both Valmet and Neles may be damaged. Failure to complete the Merger could have a material adverse effect on Valmet's and Neles' respective businesses, financial positions, results of operations, future prospects, or prices of the shares in Valmet and/or Neles.

Materialization of any of the above risks could also delay the completion of the Merger in the planned timetable. A delay in the completion of the Merger could delay potential benefits attributed to the Merger, increase the amount of expenses incurred by Valmet or Neles for completing the Merger or result in further alternative business opportunities being lost, which could have a material adverse effect on Valmet's, Neles', or the Combined Company's respective businesses, financial positions, results of operations, future prospects, or prices of the Shares and/or the shares in Valmet and/or Neles.

The Merger may not necessarily be completed in the manner currently contemplated, which could have a material adverse effect on the estimated benefits of the Merger or the market price of the shares in Valmet and/or Neles.

As described under "*Merger of Valmet and Neles – Combination Agreement*," the completion of the Merger is conditional upon the satisfaction or, to the extent permitted by applicable law, waiver by Valmet and/or Neles, of a number of conditions set forth in the Combination Agreement, including receipt of merger control approvals from relevant competition authorities. There can be no assurance that such merger control approvals will be obtained or that they will remain valid or unchanged. In addition, the terms and conditions of any merger control approvals related to the completion of the Merger may require, among others, the divestment of certain assets that would have otherwise become part of the Combined Company. In such case, Valmet or Neles, as the case may be, may not be able to execute any such divestment within the required timeframe, at the desired price or at all, and any such divestment may have a material adverse effect on the Combined Company's ability to realize some or any of the estimated benefits of the Merger. If the completion of the Merger is delayed or the Merger is not completed due to the required conditions not being satisfied or if Valmet or Neles must comply with any material conditions in order to obtain any merger control approvals, this could have a material adverse effect on the Combined Company's ability to achieve the estimated benefits of the Merger in whole or at all and/or the market price of the shares in Valmet and/or Neles.

The exchange ratio of the Merger Consideration Shares has been agreed in the Combination Agreement and the Merger Plan and will not be adjusted to reflect potential fluctuations in the market price of the shares in Valmet or Neles.

In connection with the completion of the Merger, Neles shareholders will receive as Merger Consideration 0.3277 new shares in Valmet for each share they hold in Neles on the record date. The exchange ratio of the Merger Consideration Shares has been agreed in the Combination Agreement and the Merger Plan and will not be subsequently adjusted. However, the market price of Valmet's and Neles' shares may increase or decrease, which may impact the real value of the Merger Consideration Shares but will not impact the number of the Merger Consideration Shares to be issued. For example, for pro forma purposes, the preliminary estimate of the fair value of the pro forma Merger Consideration of EUR 1,224 million corresponds to the aggregate fair value of the total number of 34,664,986 Merger Consideration Shares expected to be issued based on the closing price of EUR 35.31 of Valmet's share on Nasdaq Helsinki on August 4, 2021. The market price of Valmet's and Neles' shares may fluctuate due to a number of reasons, many of which are outside Valmet's and Neles' control. For the effect of a 10 percent increase or decrease in the price of Valmet's share on the fair value of the Merger Consideration calculated based on the pro forma assumptions, and for further information on the impact of the Merger Consideration on the financial statements and its effects to the Combined Company's unaudited combined Pro Forma Information, see "*Unaudited Pro Forma Financial Information*".

The Combined Company could be obligated to make a significant cash payment or the Merger may not be completed should some of Neles' shareholders vote against the Merger in the EGM of Neles and require redemption of their shares in Neles.

According to the Finnish Companies Act, a shareholder of a merging company who votes against a merger at the General Meeting of shareholders deciding on a merger may, at such General Meeting of shareholders, demand that the shareholder's shares be redeemed in cash at fair price. Under the Finnish Companies Act, at least two-thirds of the votes cast and the shares represented at a General Meeting of shareholders must vote in favor of a merger for it to be approved. Therefore, the Merger can be approved by the EGM of Neles even if shareholders representing up to one-third of all shares in Neles (excluding treasury shares held by Neles) vote against the Merger, and such objecting shareholders would have the right to demand that their shares be redeemed in cash.

Pursuant to the Combination Agreement and the Merger Plan, the completion of the Merger is subject, among other things, to the condition that shareholders of Neles representing no more than twenty (20) percent of all shares and votes in Neles having demanded the redemption of his/her/its shares in Neles pursuant to Chapter 16, Section 13 of the Finnish Companies Act. If more than the above proportion of Neles' shareholders were to demand the redemption of their shares, it is possible that the Merger would not be completed. If some of Neles' shareholders were to demand the redemption of their shares and the Merger were to be completed, the payment of the redemption price to objecting Neles' shareholders could result in a substantial cash payment by the Combined Company, which could have a material adverse effect on the Combined Company's financial position.

The Pro Forma Information in this Merger Prospectus is presented for illustrative purposes only and may differ materially from the Combined Company's actual results and financial position.

The Pro Forma Information in this Merger Prospectus is presented for illustrative purposes only. The hypothetical financial position and results included in the Pro Forma Information may differ from the Combined Company's actual financial position and results. Further, the Pro Forma Information does not purport to project the financial position or results of the Combined Company as of any future date.

The Pro Forma Information has been prepared based upon available information and certain assumptions and estimates that Valmet and Neles currently consider to be justified. The Pro Forma Information reflects adjustments, which are based upon assumptions and preliminary estimates related to the fair value of the purchase consideration, the fair valuation of the net assets acquired, accounting policy alignments, financing arrangements and other events related to the Merger. Considering the ongoing regulatory approval processes, which restrict Valmet's access to detailed information of Neles, and the fact that the final accounting measures of the Merger can only be done at the Effective Date, the pro forma adjustments presented are preliminary and based on information available at this time. The Pro Forma Information is subject to change, among others, due to the final fair value of the Merger Consideration and Valmet's previously held equity interest in Neles being determined based on the then-current fair value of Valmet's share as at the Effective Date and the final purchase price allocation being based on the fair values of Neles' assets acquired and liabilities assumed as at the Effective Date. Further, Valmet will be able to conduct a detailed review of Neles' accounting policies only after the Effective Date due to restrictions on information sharing before the Merger. There can be no assurance that the assumptions used in the preparation of the Pro Forma Information or presenting Neles' financial information in the Pro Forma Information in Valmet's presentation format will prove to be correct. The actual results of the Merger may materially differ from the assumptions used and the pro forma adjustments reflected in the Pro Forma Information. Further, the accounting policies to be applied by the Combined Company in the future may differ from the accounting policies applied in the Pro Forma Information.

In accordance with IFRS, the purchase consideration will be determined based on the fair value of the Merger Consideration Shares and the Effective Date fair value of Valmet's previously held equity interest in Neles. The preliminary estimate of the fair values of the Merger Consideration and Valmet's previously held equity interest in Neles reflected in the Pro Forma Information does not purport to represent the actual value of the purchase consideration on the Effective Date. The purchase consideration will be measured on the Effective Date at the current market price of Valmet's share at that time. This requirement will likely result in the value of the purchase consideration differing from the amount assumed in the Pro Forma Information, and this difference may be material. The price of Valmet's share used in the Pro Forma Information is based upon the closing price for Valmet's shares on Nasdaq Helsinki on August 4, 2021, which was EUR 35.31 per share. A 10 percent change in Valmet's share price would increase or decrease the pro forma Merger Consideration by approximately EUR 122 million and the fair value of the previously held equity interest by approximately EUR 51 million, increasing or decreasing the purchase consideration by total of EUR 174 million, which would be reflected as an increase or decrease of goodwill and equity in the pro forma statement of financial position.

Successful completion of the Merger is dependent on the New Facilities Agreements.

In order to support and finance the completion of the Merger, Valmet and Neles have entered into re- and back-up financing agreements with Danske Bank and Nordea on July 2, 2021. The Merger financing arrangements comprise a EUR 695 million term loan facilities for Valmet ("**EUR 695 Million Facilities**") and EUR 301 million term facility for Neles ("**EUR 301 Million Facility**"), which Danske Bank and Nordea as joint underwriters, coordinating bookrunners and mandated lead arrangers have arranged and underwritten in full (the "**New Facilities Agreements**"). Valmet and Neles are able to reduce the loan amounts of re- and back-up financing agreements with Danske Bank and Nordea. The New Facilities Agreements may be used for the purposes of refinancing existing indebtedness of Valmet and Neles in connection with the Merger, to finance potential cash redemptions of Neles' shares, as well as the Extra Distribution to Neles Shareholders (as defined below in section "*Merger of Valmet and Neles – Merger Plan – Arrangements Outside of Ordinary Business Operations*"). Neles intends to seek consents and waivers in respect of its existing indebtedness in relation to the Merger but there can be no assurance that such waivers will be granted. Such indebtedness in relation to which requisite consents have been obtained prior to the completion of the Merger, together with the indebtedness refinanced in connection therewith, will transfer to the Combined Company. For further information, see section "*Information on the Combined Company – Financing*". Insufficient availability or adverse changes in the commercial terms of the New Facilities Agreements could have a material adverse effect on the business, financial position, results of operations, future prospects or Share price of the Combined Company. Moreover, if the Merger has not been completed by December 31, 2022, the term loan facilities under the New Facilities Agreements will be immediately cancelled in its entirety, which could delay the completion of the Merger or prevent it entirely. Materialization of any of the above risks could have a material adverse effect on the business, financial position, results of operations, future prospects, or Share price of the Combined Company.

Difficulties in the integration, maintenance and updating of Valmet's and Neles' core IT systems may give rise to significant costs or harm to the Combined Company's business operations.

Valmet's and Neles' core IT systems, such as information communication technology (including, *e.g.*, telecom, workstations, servers, storage, identity and access management, among others) ("**ICT**"), Enterprise Resource Planning ("**ERP**"), Customer Relationship Management ("**CRM**"), Configure, Price, Quote ("**CPQ**") management, Product Data Management ("**PDM**"), procurement and personnel management systems ("**HRIS**") (jointly, the "**Core IT Systems**"), are of key importance to the management and functioning of the companies' business operations. The functionality and reliability of these Core IT Systems, as well as the integration of the systems, will also be critical to the success of the

Combined Company's business. Valmet and Neles use their Core IT Systems in the management of their order-supply chain production chain, human resources matters and customer relationship management, in their financial administration as well as in supporting the service business and customer services, such as industrial internet solutions and other data-driven businesses.

The successful integration of the Core IT Systems is essential in achieving the expected benefits of the Merger. However, it is likely that the integration of certain Core IT Systems may not be reached by 2023, by which time most of the other synergy benefits of the Merger are expected to be realized. Integration of the systems may be further complicated by the fact that Valmet and Neles are renewing their ERP systems, and Neles' PDM, a system critical to Neles' business activities and continuity, is at the end of its lifecycle, and its renewal may cause additional challenges, while Valmet is currently renewing its legacy PDM systems. Additionally, Neles has an on-going process in connection with certain legacy systems related to its Transitional Service Agreements ("**TSAs**") resulting from the demerger and the formation of Neles as an independent company in 2020, with ten legal units still in the old legacy system. The project is due to end by the end of the second quarter of 2022. As the integrated Neles quote-to-order-to-cash solution supports Neles' global sales and operations network, any malfunction in the system or integrations can cause the global quotation and order flow to stop both in sales offices as well as factories and seriously harm the business.

There can also be no assurance that no significant and unforeseen costs will arise in connection with the integration of the Core IT Systems. A full integration of such IT systems requires, among others, harmonization of data models and data architectures between companies. In case these data models and architectures have been constructed very differently, the Core IT Systems could only be integrated partly or otherwise suboptimally, in which case this could negatively affect the benefits sought by the Merger or require further IT investments by the Combined Company, which could give rise to significant costs.

Valmet and Neles may not share the same major service providers for their IT infrastructures and services. Consequently, certain systems may be incompatible with each other, which may require complex changes to system architectures or full replacement of certain systems. Furthermore, once the Combined Company's Core IT Systems have been set up, such systems could be damaged or they could cease to function for a number of reasons, such as due to failures in updates and prospective development projects, disruptions in third-party services, such as data center, telecommunications or application support services, due to criminal hackers or computer viruses or due to human errors of the Combined Company's own employees. See also "*– Risks Related to the Combined Company's Business – The Combined Company's operations, products and services will largely rely on data networks, software and digital solutions, and any malfunctions, breaches and cyber security breaches in such networks, software and solutions as well as potential failures in information system development projects, such as the ongoing renewing of the ERP system, may adversely affect the business and financial position of the Combined Company and lead to reputational damage*" below.

If the Combined Company does not succeed in the integration of Valmet's and Neles' Core IT Systems as expected or other material interruptions occur in the functioning of these systems or they are subject to serious malfunctions, this could have a material adverse effect on the business, financial position, results of operations, future prospects, or Share price of the Combined Company.

Valmet's and Neles' access to information regarding each other has been limited, and they may not be adequately protected against possible known or unknown deficiencies and liabilities.

Valmet's and Neles' access to information regarding each other in connection with the preparation of the Merger has been limited due to, among other things, competition laws and regulations. Thus, Valmet and Neles have only been able to conduct a limited due diligence review of each other, which may have failed to identify and discover potential liabilities and deficiencies in Valmet or Neles, including onerous contract terms in key agreements or latent liabilities for breaches of contract in business-critical relationships, legal proceedings, employer and pension obligations, non-compliance with regulation, environmental liabilities, taxes, or other liabilities (whether or not contingent or included in the financial statements of Valmet and Neles, as incorporated in this Merger Prospectus by reference). Such matters may not necessarily be evident in the stock exchange releases or other disclosure published by the parties either.

Key agreements of Valmet or Neles entered into with third parties may also include customary clauses that prevent or impose limitations on completing certain corporate transactions, such as the Merger, as planned or at all, or otherwise prevent or impose limitations on transferring the rights and obligations arising from such agreements without the consent or waiver of the third party. In such an event, the third party could, for example, have the right to terminate the agreement or to accelerate credits or loans and to receive consequent compensation on the basis of the Merger or change of control, even though the applicability of these clauses in a merger in accordance with the Finnish Companies Act is in some cases subject to interpretation and uncertainty. As Valmet and Neles commence their operations as a Combined Company, the Combined Company's management may learn additional information about liabilities which, individually or in aggregate, could result in significant additional costs and liabilities that are not described in this Merger Prospectus, or affect the feasibility of achieving estimated synergies. Materialization of any of the above factors could have a material adverse effect on the business, financial position, results of operations, future prospects, or Share price of the Combined Company.

Risks Related to the Combined Company's Operating Environment

Geopolitical tensions, trade barriers and sanctions, political uncertainty and uncertain global economic and financial market conditions could adversely affect the Combined Company's business, financial position, results of operations and prospects.

Factors such as geopolitical uncertainty, the threat of trade wars, the threat of terrorism, armed conflicts in different parts of the world and other potential external disruptions may significantly affect the amount of projects, the customers' investments, the availability of financing of the Combined Company and, consequently, the Combined Company's operations. Geopolitical tensions, such as economic sanctions imposed in the United States and the European Union (the "**EU**") and continuing trade tensions between the United States and China, may continue to have an adverse effect on the global economic environment and affect the Combined Company's industry as a whole, and the Combined Company in particular, given that some of its operations and suppliers are established in the United States and China and given its dependence on both Chinese and U.S. demand. Potentially increasing populism, patriotism and protectionism in the political environment may also hinder the market access required by the Combined Company's business operations, reduce sales and incur costs due to adjusting its business to changed circumstances.

Tightening trade relations, continued market growth and inflation, as well as the impact of tariffs, sanctions or other trade barriers could pose challenges to supply chain and price management, impacting the Combined Company's growth capability and margins. The trade barriers and sanctions may harm the Combined Company's direct sales and sales channel partners in affected areas partially or entirely. Exchange rate fluctuations and changes in commodity prices could affect orders received and sales as well as the overall financial position of the Combined Company. Other market- and customer-related risks could also cause planned and ongoing projects to be postponed, delayed or discontinued.

Economic slowdowns or recessions and the uncertainty prevailing on the financial markets in the EU, the United States, China, emerging markets (particularly in Brazil, Indonesia and India) and elsewhere in the world might adversely affect the Combined Company's business in a number of ways, including causing new projects under negotiation or projects in order backlog to be postponed, suspended, or canceled and thus affecting sales, results and cash flow.

Any increased political uncertainties, escalation of geopolitical tensions or economic slowdowns or recessions might lead to disruptions in the Combined Company's operations. Such disruptions may increase the costs of operations and lead to a negative impact on the demand for the Combined Company's products and services, all of which may have a material adverse effect on the business, financial position, results of operations, future prospects, or Share price of the Combined Company.

The COVID-19 pandemic and other potential pandemics or epidemics may adversely affect the demand for and the delivery capability and the costs of the Combined Company's products and services, availability of financing, and it is difficult to assess all of the effects of the COVID-19 pandemic in advance.

As at the date of this Merger Prospectus, the spread of the coronavirus ("**COVID-19**") has resulted in a number of restrictive and preventive measures imposed by public authorities as well as private organizations around the world. The COVID-19 pandemic has had, and continues to have, a significant impact on societies, the financial markets and businesses around the globe and has impacted different countries and fields of business in very different ways. In addition to the severe shock caused to the global economy in general, the COVID-19 pandemic as well as other pandemics or epidemics that could emerge in the future may also have direct and indirect impacts on the Combined Company. In 2020, COVID-19-related travel restrictions and lower capacity utilization in graphical paper mills had a negative impact on Valmet's Services' orders received and net sales, and during January-June 2021 on Valmet's Services' business environment. Due to COVID-19, many of Valmet's customers restricted access to their sites in 2020 and during January-June 2021, which led to disturbances especially in field services and mill improvement projects, and negatively impacted Valmet's Automation business line also. The Pulp and Energy, and Paper business lines have managed challenges caused by COVID-19 well, and therefore the pandemic has not caused major impacts on the capital business during January-June 2021. Similar impact of the pandemic is expected to continue in the second half of 2021.

Neles has operations in several regions where the COVID-19 pandemic continues to cause disruptions. In the first quarter of 2021, Neles' Brazilian supply center was temporarily closed due to COVID-19 cases, which caused delays in deliveries and a reduction in sales in the first quarter. Neles had similar challenges in its Indian factories at the beginning of the second quarter of 2021, leading to temporary closures. There continue to be risks of temporary closures of local Neles operations as those experienced in Brazil and India. Currently, the situation is being carefully managed by local management and the factories are back in operation, prioritizing the health and safety of Neles' employees and partners. In 2020, the Services and other maintenance, repair, operations ("**MRO**") driven businesses were negatively impacted by pandemic-related mobility restrictions and customers' tight cash management. Especially large maintenance shutdowns were postponed. The global situation in the Services and MRO-driven businesses has been clearly improving in the first half of 2021, but uncertainties and risks in certain regions are expected to continue into the second half of 2021, while the overall business activity in these segments is expected to continue to improve. The global logistics situation continues to be challenging. The availability of transportation and difficulties in arranging logistics by Neles or its customers has caused delays in deliveries. In addition, Neles has experienced shortages of electronic components causing delays in deliveries. Although Neles expects to catch up with these delays during the second half of 2021, risks related to the logistics situation continue.

Closures of sites, heightened safety measures as well as physical and movement restrictions in accordance with government regulations may also limit the Combined Company's business opportunities, and may make it difficult to sell and deliver the Combined Company's products and services. The spread of COVID-19 and related restrictions may affect the operating environment adversely, lead to reduced sales and adversely impact cash flow. There is an increased risk that global economic growth will significantly deteriorate because of the pandemic, which, with uncertain political and trade-related developments, could affect the Combined Company's customer industries, reduce investment appetite and customer spending, weakening the demand for the Combined Company's products and services, as well as affecting its business operations and profitability. The COVID-19 situation and related business constraints may also weaken the operational capacity and financial situation of the Combined Company's suppliers and have an adverse impact on the availability of financing for the Combined Company, which could in turn have a negative impact on the Combined Company's ability to deliver products and services to its customers. COVID-19 and continued remote work situation may also have an adverse impact on the Combined Company's employees' work performance due to, for example, lack of face-to-face interaction, reduced employee engagement and possible effects on workplace culture and ability to innovate, which could in turn have a negative impact on the Combined Company's sales and business. Additionally, COVID-19 may also affect consumption behavior, customer investment activity and have adverse impact on the availability of financing for the Combined Company's customers and could, thus, potentially decrease demand for the Combined Company's products and services. Furthermore, due to COVID-19, Valmet's, Neles' or the Combined Company's management's discretion, assumptions and estimates may turn out to be incorrect, which could lead to a decrease in the estimate of the amount of goodwill and other tangible assets or intangible assets, causing impairments. COVID-19 may also cause the reduction or significant reorganization of production or services, which could increase the Combined Company's costs. Additionally, COVID-19 may have a detrimental effect on the ability of the Combined Company's customers to fulfil their obligations towards the Combined Company. In addition, other pandemics or epidemics could emerge in the future and they could have similar effects on the Combined Company as the COVID-19 pandemic has had or will have on Valmet and Neles. In the worst cases, the solvency and the business continuity of the Combined Company's customers may be endangered and the customers may even be declared bankrupt. This could weaken the Combined Company's cash flow and lead to credit losses for the Combined Company.

Many of the impacts of the COVID-19 pandemic may emerge with a delay. As at the date of this Merger Prospectus, the duration of the COVID-19 pandemic and its future impact on Valmet's and Neles' industry, and Valmet, Neles and the Combined Company in particular, cannot be accurately predicted, and the overall situation remains uncertain.

Materialization of any of the above risks could have a material adverse effect on the business, financial position, results of operations, future prospects, or Share price of the Combined Company.

The Combined Company's business will be affected by the Combined Company's customers' industries and their cyclical nature.

Business cycles in the global economy and in the Combined Company's customer industries, mainly the pulp, paper and energy industries, will continue to influence the demand for its products and services. The Combined Company may also be subject to broader industry trends, such as the possible longer-term impact on the oil and gas industry of increased sustainability initiatives. End-product prices, production capacity, new projects, and oil and energy markets are the main demand drivers in the process industries. New equipment sales tend to be more affected by business cycles and customers' capital expenditure than sales of services, which are largely linked to the utilization rates of customers' assets. Business cycles and industry trends are expected to continue to affect the demand for the Combined Company's products as well as the Combined Company's business, financial position and results of operations.

Valmet's Services and Automation business lines represent rather stable and moderately growing markets that are affected by the size of the installed base and customers' mill operating rates. The markets of Valmet's Pulp and Energy and Paper business lines are affected by customers' new investments in machinery and mills, which makes these businesses more cyclical compared to the more stable services and automation businesses. Neles' business consists of business driven by capital investments, as well as business driven by services and customer MRO. Capital investment-driven business is cyclical in nature, and different customer industries have different cycles. The services and MRO-driven business is normally less cyclical, having endured global economic shocks and grown stably. It is affected by customer operating volumes, the need to perform service and maintenance regularly, and customer needs to upgrade their processes to accommodate new products or to meet safety and environmental requirements.

Continued financial uncertainties in many markets, coupled with fluctuations in exchange rates as well as tightening financial market regulations, may also have an adverse effect on the availability of financing from banks and capital markets, and could reduce the Combined Company's customers' investment activity level. A prolonged period of recession in the Combined Company's primary segments or a decline in the Combined Company's order book could have a material adverse effect on the Combined Company's business, financial position and results of operations. Deliveries of large turn-key projects are typical for Valmet's businesses. These projects usually commence against advance payments, which reduce the Combined Company's need for capital employed and exposure to financial difficulties of its customers. However, the Combined Company may not receive project payments as expected if projects are discontinued. Uncertain market conditions could adversely affect customers' payment behavior and increase the risk of lawsuits, claims and disputes taken against the Combined Company in various countries related to its products, projects and other operations.

Materialization of any of the above risks could have a material adverse effect on the business, financial position, results of operations, future prospects, or Share price of the Combined Company. See also "*– Risks Related to the Combined Company's Business*".

The Combined Company will operate in highly competitive markets and it may not be successful in responding to changes in its operating environment and developing products and services that allow it to maintain its market position.

The Combined Company operates partly in highly competitive markets in which only a limited number of large suppliers bid for larger orders. In addition, there are many smaller and locally competing companies that have a comparatively low cost base. The Combined Company's strategy will be to differentiate itself from its competitors by a unique offering combining process technology, services, automation and flow control, offering technological know-how that supports sustainability, through local presence and a comprehensive automation and services offering, as well as through long-term commitment to its customers. Although the Combined Company's main competitors are still European and North American companies certain typically smaller and regional Asian suppliers are providing solutions that are able to compete due to their low prices. Consolidation in customer industries may also result in tightened competition.

Structural changes in the Combined Company's operating environment may also affect its operations and impact its competitiveness and profitability. Such changes may result from the introduction of new technologies, shift in use of certain technology and end-user behavior. For example, the increasing role of digital media has decreased the demand for graphic papers, which may adversely affect the demand for the Combined Company's services business.

The markets in which the Combined Company operates are also characterized by continuously evolving technologies. Valmet is constantly focusing on new technologies and on R&D to improve product cost competitiveness and performance and to develop new technologies and services. Customer needs and sustainability are key drivers in Valmet's R&D work and the company is continuously aiming to improve the raw material, energy and water efficiency of its customers' production processes. Valmet's 16 pilot facilities carry out both internal R&D and customer projects. Neles continuously invests in R&D to meet and exceed the tightening sustainability requirements. In addition to performance, suitability for new markets and cost competitiveness, a key driver in Neles' R&D is product safety. Neles has also set sustainability targets, such as reducing emissions for all its R&D projects to help its customers to meet environmental requirements. The Combined Company is expected to continue this focus on R&D.

In planning and implementing its operations, the Combined Company must consider the development potential, new products and services, technological solutions and the different life cycle stages of its products and production plants and those of its customers. As tendering for new projects often is partly based on references to earlier projects, problems with project deliveries or a failure to respond to demand for new products, services and technological solutions could result in dilution of the Combined Company's brand and reputation as a technological leader, which could have an adverse effect on the Combined Company's ability to win new projects. Further, if the Combined Company is not successful in developing new technology or products or if demand for a new technology or new products that the Combined Company develops does not materialize or if new technology or products developed by the Combined Company are not competitive enough, it may be required to write off its investment in such technology or products and receive no benefit for its investment. In addition, if economic growth slows down significantly, the markets for the Combined Company's products and services may shrink, which may lead to, for example, tougher price competition and thus decrease the Combined Company's profitability. Increased competition and unanticipated actions by competitors, including aggressive pricing policies, could lead to downward pressure on prices or a decline in the Combined Company's market share and profitability.

In 2020, Valmet initiated measures to improve the long-term competitiveness of the Services business line especially related to mill improvements and rolls and workshop services business. The aim was to improve the profitability and competitiveness of the respective businesses by optimizing the local presence globally and streamlining the way of operating. Measures were also initiated due to the global COVID-19 pandemic, which led to a reduced workload around the world, especially in the Services business, which is carried out close to customers. Neles' Services and other MRO-driven businesses have also been negatively impacted by COVID-19. However, there can be no assurance that the Combined Company will be able to improve the profitability and competitiveness of the Combined Company's respective businesses.

Materialization of any of the above risks could have a material adverse effect on the business, financial position, results of operations, future prospects, or Share price of the Combined Company.

The Combined Company will operate in emerging markets, where political, economic and legal developments, among others, could have a material adverse effect on the Combined Company's business, financial position, results of operations and prospects.

An important part of the Combined Company's business development will be its presence in emerging markets. In developing countries, the political, economic and legal systems are less predictable than in countries with more developed institutional structures. Various external stakeholders, such as authorities, industrial organizations, research institutes and non-governmental organizations on a national and international level, affect the business environment and the markets in which the Combined Company will operate.

Operations in certain emerging markets also involve heightened social and employee related risks, human rights related risks, anti-corruption and bribery related risks that may harm the Combined Company's reputation as an ethical corporation, among others. Valmet and Neles are committed participants of, and have signed, the United Nations Global Compact and its ten principles on human rights, labor, environment and anti-corruption, and the principles are included in the companies' strategy, policies and procedures. However, the Combined Company may not be successful in overseeing that its personnel, customers, partners, or contractual parties do not engage in corrupt practices. Any failure to comply with applicable laws and other standards, or claim thereof could expose any of these stakeholders or the Combined Company to fines and/or criminal sanctions, cause unfavorable publicity and reputational damage to the Combined Company, restrict the Combined Company's operations or tendering, or raise claims of non-performance of the Combined Company's contractual obligations and related penalties.

Many of the Combined Company's operations will be run from and in emerging and other offshore countries, which may subject the Combined Company to numerous, and sometimes even conflicting, laws, rules, practices, and discretionary powers of authorities. Arbitrary intervention by authorities or other interested parties in the Combined Company's business, legal or administrative proceedings, or inability by the Combined Company to assert its rights in court or in other forum may jeopardize the predictability and uninterrupted continuity of the Combined Company's offshore operations and incur significant expenses for the Combined Company. In particular, operating in emerging countries includes certain risks associated with the protection and enforcement of intellectual property rights. Furthermore, there has been an increasing trend in certain emerging countries to introduce local content requirements, which are policies imposed by governments that require companies to use domestically manufactured goods or domestically supplied services in order to operate in a country. Such local content requirements could have a material adverse effect on the Combined Company's business by reducing its revenue and/or margins and the quality of its products and services. Moreover, political and social unrest, terrorism and armed conflicts in different parts of the world may represent risks to the Combined Company's operations. Political or economic upheaval, changes in laws or other factors could have a material adverse effect on the Combined Company's operations in emerging markets.

Materialization of any of the above risks could have a material adverse effect on the business, financial position, results of operations, future prospects, or Share price of the Combined Company.

Fluctuations in the prices and supply of raw materials and subcontracting could have a material adverse effect on the Combined Company's business, financial position, results of operations and prospects.

The Combined Company's business will be exposed to variations in the prices of raw materials and supplies, including energy and components, and subcontracting. Currently, Valmet's subsidiaries identify their commodity price hedging needs and Valmet's group treasury executes hedges concerning these commodity risks using approved counterparties and instruments. Valmet has defined and approved separate overall hedging limits for commodity risks. Neles' commodity risk arises from variations in prices of raw materials and of supplies. Neles units identify their commodity price hedging needs and hedges are executed through the group treasury using approved counterparties and instruments. Separate hedging limits have been defined and approved for commodity risks. Hedging is done by Valmet and Neles on a rolling basis with a declining hedging level over time. Although the Combined Company is expected to take measures similar to those taken by Valmet and Neles in the past, there can be no assurance that commodity, component and/or subcontracting price fluctuations will not have a material adverse effect on the business, financial position, results of operations, future prospects, or Share price of the Combined Company.

Additionally, variations in the prices of raw materials, such as paper, pulp, oil and gas, may have an effect on the demand and prices for the Combined Company's customers' end products, which may in turn reduce the Combined Company's customers' investments and need for the Combined Company's products and services. Furthermore, should the economy stagnate or experience a recession or a depression, the Combined Company's suppliers may face financial difficulties and even bankruptcies, which could result in delays, breaks or other disruptions in deliveries. Uncertain market conditions could adversely affect the Combined Company's customers' payment behavior and increase the risk of lawsuits, claims and disputes taken against the Combined Company in various countries related to its products, projects and other operations. Additionally, adverse changes in the economy may also force the Combined Company to reduce the customer pricing of its products, and the Combined Company may not be able to reduce the price level of its purchases accordingly. Conversely, during an upswing in economic activity, the rising cost of materials and components will not be immediately transferable to the customer prices of the Combined Company's products. It is also possible that suppliers will not invest in new capacity in time before the next turn of the cycle, which may cause slowdowns in supplies. This could in turn lead to interruptions in the Combined Company's production, extended delivery times and weaker profitability and cash flow. See also "*– Risks Related to the Combined Company's Business – The Combined Company's operations may be interrupted due to problems associated with raw materials, components, subcontractor and supplier network*" below.

Materialization of any of the above risks could have a material adverse effect on the business, financial position, results of operations, future prospects, or Share price of the Combined Company.

Changes in environmental laws and regulations as well as permits may have a material adverse effect on the Combined Company's business, financial position, results of operations and prospects.

Stricter energy and environmental legislation around the world requires, for example, the reduction of greenhouse gases, more efficient use of energy and raw materials, adequate procedures for chemical safety and the handling of hazardous waste as well as increases in recycling and in the use of renewable energy sources. The changes in environmental legislation have a significant impact on the business and cost structures of industrial companies, including the Combined Company. As laws and regulations are amended or as their application or enforcement is changed, significant costs in complying with new and more stringent regulations may be imposed on the Combined Company. Further, the operations of the Combined Company require environmental and other regulatory permits and licenses that are subject to modification, renewal or, subject to certain conditions, revocation by the issuing authorities. In certain countries, the procedures for obtaining these permits and licenses are often long and complex and there can be no assurance that the requested permit or license will be granted or renewed. In addition, violations of applicable environmental laws and regulations could result in civil and criminal penalties, revocation of permits and licenses, the curtailment or cessation of operations, third-party claims, reputational damage or any combination thereof.

Valmet has developed biomass conversion technology applications that may provide new market opportunities. The market for these biomass conversion technology applications is emerging as the first plants for some of these applications are technically and commercially fully proven and as the EU as well as several countries, including the United States and Brazil, have set targets and developed plans, which include the use of mandates, incentives and other support mechanisms, to significantly increase the production and consumption of biomass-based materials and energy. However, governments may not implement such mandates, incentives and other support mechanisms as a result of prevailing economic conditions, changes in government policies or other reasons beyond the Combined Company's control, which could reduce demand for the Combined Company's biomass conversion technology applications and have a material adverse effect on the Combined Company's business, financial position and results of operations.

When planning its energy needs, the Combined Company will seek to take into account the risks related to climate change by, among other, sustainability initiatives, and developing more energy efficient products and solutions. In the beginning of 2021, Valmet introduced a climate program, which targets to significantly reduce carbon dioxide emissions in its own operations and supply chain and to enable carbon neutral production for all pulp and paper industry customers by 2030, which requires the Combined Company both to develop new technologies enabling fossil free pulp and paper production and to further improve the energy efficiency of the current technology offering by 20 percent by 2030. In 2020, Neles set climate targets for the most significant sources of emissions. Neles has committed to a 25 percent reduction in carbon emissions in production by 2030 compared to the 2019 base line. Neles enforces sustainability not only in its own production, but 20 percent of its suppliers in terms of spend are also required to set emission targets by 2025. By streamlining transportation routes and optimizing warehouse locations, Neles aims for a 20 percent reduction in transportation emissions by 2025. However, there can be no assurance that the Combined Company is able to develop such new technologies, improve the energy efficiency of the current technology or reach the said targets. Furthermore, environmental and other ESG requirements are becoming stricter both in emerging and developed markets and in industries that are material to the Combined Company, such as pulp, paper and oil and gas industries. This may increase the costs of the Combined Company and its customers and suppliers and may reduce its customers' interest if any of its main products are no longer considered environmentally friendly or if the customer's industry faces ESG regulation that no longer warrants further investments within the industry in question.

Although the Boards of Directors of Valmet and Neles are not aware of any current environmental matters that could reasonably be expected to have a material adverse effect on the Combined Company's business, financial position, results of operations, future prospects, or Share price of the Combined Company, there can be no assurance that continued compliance with the existing or future environmental laws, permits or licences, and the costs associated therewith, will not have a material adverse effect on the business, financial position, results of operations, future prospects, or Share price of the Combined Company. Materialization of any of the above risks could have a material adverse effect on the business, financial position, results of operations, future prospects, or Share price of the Combined Company.

Increases in taxes and customs could adversely affect the demand for the Combined Company's products.

The business of the Combined Company will be carried out through projects with varying scopes including provision of services and proprietary machinery and equipment. Due to the international and project-based nature of the Combined Company's business, the Combined Company will have tax liabilities in multiple jurisdictions either by way of its subsidiaries or based on its other type of taxable presence in a jurisdiction. In addition, the Combined Company will have customs or other tariffs duties on imports and importation related compliance responsibilities. Governments in the countries the Combined Company will operate in may increase such taxes, customs or other tariffs or impose new taxes, customs or other tariffs altogether. Demand for the Combined Company's products is generally sensitive to fluctuations in taxes, customs or other tariffs on imports. Changes in tax, customs or other tariffs structures could weaken the Combined Company's ability to sell its products and services in both developed and emerging markets and thus, result in decreases in net sales of the Combined Company. The tax, customs and other tariffs regimes applicable to the Combined Company's operations have in the past resulted, and could result in the future, in temporary increases or decreases in net sales or increases in compliance costs that are responsive to the timing of any changes in taxation, customs or other tariffs. Materialization of any of the above risks could have a material adverse effect on the business, financial position, results of operations, future prospects, or Share price of the Combined Company.

The Combined Company is subject to stringent labor and employment laws in certain jurisdictions in which it operates.

Labor and employment laws are relatively stringent in certain jurisdictions in which the Combined Company operates. These laws, regulations or requirements could limit the Combined Company's flexibility to change its organizational structure, and the increased number of employees and operating countries of the Combined Company could lead to an increase in administrative burden as well as increase costs and prolong collaborational or labor processes. For example, any potential plans to develop or restructure certain aspects of the Combined Company's business would be subject to the applicable national information and consultation obligations which may affect the Combined Company's ability to restructure its operations and organization or entail additional costs. Labor laws also provide for periodic inspections by the competent authorities, and any findings of violations of applicable regulations may result in administrative, civil and punitive penalties, which could damage the Combined Company's reputation in the eyes of its current and future employees and hamper its ability to recruit and retain key employees.

In certain jurisdictions, such as Finland and Germany, some of Valmet's and Neles' employees are members of unions or are represented by a works council. The Combined Company may be required to consult with the representatives of these unions or works councils about specific matters materially affecting employees' rights and obligations. Additionally, the increased number of employees in the Combined Company may require different structures in previous works council practices or a need to harmonize the group level practices. The terms and conditions of any agreements with unions or works councils could increase the Combined Company's costs and affect how future operational changes (such as restructuring and workforce reduction) are carried out.

Risks Related to the Combined Company's Business

The Combined Company's operations will have a large share of contracts for projects, which exposes the Combined Company to risks relating to project completion and may result in cost overruns.

Approximately 56 percent of Valmet's net sales during 2020 were derived from orders related to capital business that typically takes many months or even years to complete. See also "*Information on Valmet – Business of Valmet*" below. The majority of these projects are based on fixed price contracts These orders can present project-specific risks to the Combined Company related to, for example, delivery schedules, equipment start-up, production capacity, end-product quality, and performance guarantee obligations. In some projects, risks may also arise from new technology included in the deliveries. Neles' sales consists of sale of process industry flow control solutions with delivery of valves automation and services to delivered equipment. Contract awards are also affected by events outside the Combined Company's control, such as events affecting the delivery site, prices, demand, general economic conditions, granting of governmental approvals, and securing of project financing. This uncertainty can cause difficulties in matching the Combined Company's fixed costs and predicted order volume. The sales and operating margins realized in a fixed price contract may vary from original estimates as a result of changes in costs, especially fluctuating material costs, and productivity over the term of the contract. In addition, since certain items that the Combined Company supplies will be outsourced, the Combined Company may be forced to quote at a fixed price to customers without knowing the costs of the purchased parts. While estimates are made using empirical data and quotes from potential suppliers, these may not always be accurate. While Valmet has a long history in executing and delivering projects and procedures to mitigate such risks, there can be no assurance that these risks, if materialized, would not have a material adverse effect on the business, financial position, results of operations, future prospects, or Share price of the Combined Company.

The Combined Company's ability to perform according to the estimates it used when preparing its bid and its ability to execute the project affect the profitability of the project. If the Combined Company is unable to perform the contract in accordance with the estimates it used in preparing its bid, it could have a material adverse effect on the business, financial position, results of operations, future prospects, or Share price of the Combined Company.

The Combined Company's operations, products and services will largely rely on data networks, software and digital solutions, and any malfunctions, breaches and cyber security breaches in such networks, software and solutions as well as potential failures in information system development projects, such as the ongoing renewing of the ERP system, may adversely affect the business and financial position of the Combined Company and lead to reputational damage.

The Combined Company's operations will depend highly on the availability, reliability, quality, confidentiality and integrity of its information management and information technology ("**IT**") systems as well as IT services and digital solutions (the "**IT Systems**"), which may, to a large extent, be hosted and managed by third parties, including public cloud, private cloud, data centers and application support. These IT Systems process, transmit and store electronic information, including sensitive data, such as confidential business information, and personally identifiable data relating to employees, customers and other business partners, and provide tools to manage or support a variety of critical business processes and activities of the Combined Company as well as those of its customers. The Combined Company's focus on intelligent service technology will also make the functioning of its IT Systems crucial in reaching its strategic, operational and financial goals.

The following factors, among others, may cause malfunctions or cybersecurity breaches of IT Systems or software intensive products and services relevant to the Combined Company, or its customers, contractors, business partners, vendors or other third parties:

- criminal hackers, hacktivists, or state sponsored organizations;
- revealed vulnerabilities in utilized technologies requiring preventive precautions, which may have a negative impact on the service deliveries;
- computer viruses and worms, denial of service or phishing attacks, or industrial espionage;
- advertent or inadvertent human errors or misconduct by current or former employees, customers or third parties in implementing or using the Combined Company's products and services;
- lack of Enterprise Architecture and ability to manage that (development and changes);
- lack of harmonized IT Systems;
- lack of understanding of business critical applications, networks and software;
- lack of preparedness for network or information system failures;
- lack of overall IT solution coordination or software engineering;
- technological errors resulting from maintenance and upgrading activities;
- the use of outdated systems resulting in disruptions which are challenging to remedy due to limited or discontinued support by suppliers or service providers and/or limited in-house capabilities;
- power outages or surges as well as floods, fires or natural disasters; or
- telecommunication outages in wide area network backbone, local last mile connections, site local area network or mobile connections.

Any malfunctions in the IT Systems or cybersecurity breaches in IT security of the Combined Company or its software intensive products and services could cause disruptions to production and delivery and decreased demand for the Combined Company's products and services. Such malfunctions or breaches could expose the Combined Company and its customers, distributors and suppliers to risks of misuse of information or systems, the compromise of confidential information, manipulation and destruction of data, fraudulent actions, defective products, production downtimes and operational disruptions. In addition, such breaches in security could result in litigation, regulatory action and potential liability, as well as the costs and operational consequences of implementing further data protection or cybersecurity measures. It may also be difficult for the Combined Company to detect cybersecurity breaches upon their occurrence, which could have an impact on the extent of damage. Any and all information security risks and incidents may adversely affect the Combined Company's and its customers' business performance and may lead to higher total project costs, reputational damage and a loss of market share to competitors or market disruptors. Particularly, as the Combined Company's business will be to some extent dependent on software intensive products and services offered by the Combined Company to its customers, in particular due to the continuing increase in focus on the digitalization of such products and services and industrial internet solutions, materialization of any information security risks and incidents relating to its software intensive products and services could result in reputational damage as well as in legal claims or penalties and/or costly countermeasures, which may not be covered by the Combined Company's insurance coverage.

In addition, the Combined Company may not succeed in realizing the benefits of improving operations, products and services through technology and data systems. The success of development projects is important as the Combined Company's ERP, financial, human resources and risk management functions and software intensive products and services will be highly dependent on information systems and on the Combined Company's ability to operate and develop them efficiently and safely. Such information systems include, among others, ERP and PDM systems, client relationship and maintenance management systems, R&D engineering software, as well as software applications, which the Combined

Company will use to control business operations, manage its risks, create operating and financial reports, to execute treasury operations and to develop competitive technologies and services. For example, Valmet is currently in the process of renewing its ERP system in order to improve operational capability through process harmonization and standardization, and through renewal and modernization of the ERP platform and thus, increase efficiency. In addition, Neles is also renewing its ERP system, and PDM, a system critical to its business activities and continuity, is at the end of its lifecycle. Higher-than-expected development or implementation costs, or a failure to extract business benefits from the renewal process could lead to an impairment of the Combined Company's assets or decrease its profitability.

Materialization of any of the above risks could have a material adverse effect on the business, financial position, results of operations, future prospects, or Share price of the Combined Company.

The Combined Company's operations may be interrupted due to problems associated with raw materials, components, subcontractor and supplier network.

The risks associated with raw materials, components, subcontractor and supplier network are significant for the Combined Company's operations. The Combined Company is dependent on functioning ICT and ERP, whose functioning may be in whole or in part dependent on external suppliers. In particular, the Combined Company's business needs a synchronized and timely flow of goods to its sites in large projects, where the availability risks of parts from different geographical areas are interconnected in terms of the project's business continuation. For the supply network, in particular in relation to new suppliers, availability, price, quality and delivery schedule risks are critical for the Combined Company's operations.

For the six months ended June 30, 2021, Valmet's suppliers in its key markets in Finland, Sweden, the United States, Brazil and China accounted for a majority of its total procurement by value. During the past years, the largest increase in Valmet's procurement volumes has been in South America and Asia as Valmet's deliveries to its customers in those areas have increased. It is expected that the significance of Asia and South America will continue to grow for the Combined Company due to the focused investments in these areas by its customers. Supply problems faced by the Combined Company's suppliers can influence the price and availability of the raw materials and components used in their products. Therefore, raw material and component procurement costs may increase and delivery lead times lengthen. Some of Valmet's and Neles' current customers are also raw material producers whose ability to operate and invest may be hampered by declining raw material prices. The price and availability of nickel and stainless and carbon steel, which are among the most important raw materials for the Combined Company, can fluctuate and, therefore, adversely affect the Combined Company's operations. In addition, changes in raw material and component prices may also to some extent affect the value of inventories and result in inventory write-downs. Although the Combined Company is expected to continue to build a global supplier network, enter into long-term supply contracts and hedge prices when possible in an attempt to limit the purchasing risks related to the availability and pricing of raw materials and components there can be no assurance that such risks, if materialized, would not have a material adverse effect on the business, financial position, results of operations, future prospects, or Share price of the Combined Company.

The Combined Company will mainly purchase raw materials, components, energy and services. On the other hand, outsourcing has increased the importance of, and the risks related to, suppliers and subcontractors. The Combined Company has no control over these suppliers and subcontractors and any problems encountered by the suppliers or subcontractors may adversely affect the Combined Company's operations. Further, the Combined Company may not be able to find alternative suppliers or subcontractors without a delay, or at all. Disruptions in the deliveries by suppliers or subcontractors could have a material adverse effect on the Combined Company's customer relationships and, accordingly, on the business, financial position, results of operations, future prospects, or Share price of the Combined Company. See also "*– Risks Related to the Combined Company's Operating Environment – Fluctuations in the prices and supply of raw materials, including energy, and subcontracting could have a material adverse effect on the Combined Company's business, financial position, results of operations and prospects*" above.

The Combined Company will be dependent on functioning logistics and any problems in its logistics chain could have a material adverse effect on the Combined Company's business, financial position, results of operations and prospects.

The Combined Company will be dependent on functioning logistics and transportation. Problems in the Combined Company's logistics chain, for example delays in delivery schedules or damage to cargo, may result in production delays and increase costs. The impact of the long transportation times (up to 60 days) can severely impact the time schedule of the Combined Company's projects and expose the Combined Company to liability to pay liquidated damages due to delay in case of any failure of the Combined Company's logistics management or logistics chain. The Combined Company can also face significant losses if cargo damage or other shipping losses are not accurately reported to the insurer due to currency conversions or other reasons.

The availability of transportation and difficulties in arranging logistics by Neles or its customers caused delays in its deliveries during the first half of financial year 2021. In addition, Neles experienced shortages of electronic components causing delays in deliveries. Although Neles expects to catch up with these delays during the second half of 2021, the risks related to the logistics situation continue.

Materialization of any of the above factors could have a material adverse effect on the business, financial position, results of operations, future prospects, or Share price of the Combined Company.

Damage to the Combined Company's production facilities and inventories could significantly undermine the Combined Company's business.

The Combined Company's inventories or production facilities may be destroyed, they may be closed or the equipment on the premises may be damaged due to extraordinary events, accidents, natural disasters, extreme weather events, variability in weather patterns, water shortage and scarcity of raw materials. These include, among others, fire, explosion, release of high-temperature steam or water, structural collapse, machinery failure, chemical spill, mechanical failure, extended or extraordinary maintenance, road construction or closures of primary access routes, earthquake, flood, windstorm or other extreme weather events, other disasters or pandemics, such as COVID-19. The materialization of such extraordinary or other events could significantly disrupt the Combined Company's production and deliveries or result in the Combined Company not necessarily being able to fulfil its obligations to its customers. The insurances of Valmet and Neles are, and therefore the Combined Company's insurance may be, subject to limitations such as deductibles and maximum liability amounts, and they may not cover all losses, including loss of sales, resulting from extraordinary events. The Combined Company could experience significant losses if any of its manufacturing facilities were damaged or if the operations carried out at these facilities would be ceased for any other reason, and there can be no assurance that the Combined Company would be able to completely or partially locate alternative production facilities or transfer its manufacturing to other facilities of the Combined Company or to repair the damaged premises or equipment in a timely and cost-effective manner. The Combined Company's operational interruptions could compromise the Combined Company's production capacity, increase costs and delay delivery of products. Production capacity limits could lead to loss of customers and cause the Combined Company to reduce or delay sales efforts until production capacity is available, which could have a material adverse effect on the business, financial position, results of operations, future prospects, or Share price of the Combined Company.

Failure to successfully complete potential future acquisitions could have a material adverse effect on the Combined Company's business, financial position, results of operations and prospects.

In addition to organically growing its business, Valmet has grown through acquisitions and it is expected that the Combined Company will carry out acquisitions also in the future. In recent years, Valmet has acquired, for example, EWK Umwelttechnik GmbH and ECP Group in 2021, approximately 29.54 percent ownership in Neles and PMP Group in 2020, GL&V and J&L Fiber Services Inc. in 2019. For further information on Valmet's acquisitions, see "*Information on Valmet – Business of Valmet – History*".

In addition to organic growth and, the acquisition of Jamesbury in 1988, Neles has completed smaller acquisitions in order to complement its offering, widen markets to reach new customer segments and geographies, and to strenghten Neles' global operations and supply chain capabilities. The latest acquisition was an asset purchase agreement to acquire the valve and pump businesses of Flowrox, a technology company, announced in July 2021. For further information on the acquisition, see "*Information on Neles – Business of Neles – Investments*".

The acquisition and subsequent integration of acquired businesses is a complex, costly and time-consuming process. Although the Combined Company is expected to continue to utilize defined processes for any future acquisitions, such transactions are subject to a number of risks relating to the assessment of the acquired business, including its value, strengths, weaknesses, potential profitability, assets and liabilities. Accordingly, even a detailed review may fail to identify and discover potential liabilities and deficiencies, including legal claims; claims for breach of contract; employment related claims; environmental liabilities, conditions and contamination; the presence of or liability for hazardous materials; tax liabilities; and other liabilities (whether or not contingent), which could result in significant additional costs and liabilities.

The success of any potential acquisition will also be dependent on management's ability to successfully integrate the acquired business into the Combined Company's existing operations. An integration process may also disrupt the businesses of both the acquirer and the target and, if implemented ineffectively, can restrict the realization of the expected benefits. Acquisitions may be subject to, among others, obtaining necessary approvals by competition authorities, which can require a considerable amount of time and resources. Any failure to integrate acquired businesses by Valmet or the Combined Company could result in a decrease in profitability and impairment of goodwill and other assets of the Combined Company.

Materialization of any of the above factors could have a material adverse effect on the business, financial position, results of operations, future prospects, or Share price of the Combined Company.

Failure to protect or enforce intellectual property rights could have a material adverse effect on the Combined Company's competitiveness as well as on its business, financial position, results of operations and prospects.

Valmet and Neles have taken measures to protect the products and intellectual property rights related to the companies through patents, utility models and trademarks, among others, and the Combined Company is expected to continue to take such measures in the future. The protection of intellectual property rights is important for the Combined Company. The importance of the protection and enforcement of the intellectual property rights has increased due to certain products having been copied, especially in emerging markets. The Combined Company will monitor intellectual property rights protected by third parties in order to avoid infringement on such rights. However, there can be no assurance that the measures the Combined Company has taken will effectively deter competitors or certain other parties, which may be acting knowingly in bad faith, from improper use of intellectual property rights or prevent claims of infringement on third-party intellectual property rights. Particularly in China, India and some other emerging markets, local competitors or other parties may engage in unauthorized use of trademarks. Such parties may also attempt to and succeed in registering local trademarks or other intellectual property rights in bad faith in order to benefit from or damage the Combined Company's reputation and brand. Any failure to protect or enforce intellectual property rights or resulting claims of infringement on third-party intellectual property rights could have a material adverse effect on the Combined Company's competitiveness as well as on its business, financial position, results of operations, future prospects, or Share price of the Combined Company.

Hazard risks, if materialized, could have a material adverse effect on the Combined Company's business, financial position, results of operations and prospects.

Hazard risks include occupational health and safety-related risks, personnel security risks, environmental, fire and other catastrophe risks, natural phenomenon risks and premise security risks. Health and safety-related accidents have occurred in the past at Valmet's operations. In 2020, a fatal work-related accident occurred at Valmet's site in Ovar, Portugal, and in 2021, a fatal work-related accident involving an employee of Valmet's contractor occurred at Valmet's customer's site in India. In the first quarter of 2021, Neles' Brazilian supply center was temporarily closed due to COVID-19 cases, which caused delays in deliveries and a reduction in sales in the first quarter of 2021. The supply center reopened more quickly than initially expected due to attentive management of the situation. Currently, the facility is operating. Neles had similar challenges in its Indian factories at the beginning of the second quarter of 2021, leading to temporary closures. Currently, the situation is being carefully managed by local management and the factories are back in operation, prioritizing the health and safety of employees and partners. Although Valmet and Neles have taken, and the Combined Company is expected to take, precautions against hazard risks through occupational health and safety standards, guidelines, certification principles, travel safety guidelines, emergency planning, information management security instructions as well as continuous monitoring and risk assessment work on all levels of operations, there can be no assurance that such hazard risks would not materialize. The occurrence of any of these risks could delay production, increase production costs and result in death or injury to employees, damage to property and liability for the Combined Company as well as substantially harm the Combined Company's reputation. Accordingly, any of the abovementioned risks, if materialized, could have a material adverse effect on the business, financial position, results of operations, future prospects, or Share price of the Combined Company.

The Combined Company may be subject to product liability, intellectual property rights, occupational safety and other claims that could have a material adverse effect on the Combined Company's business, financial position, results of operations and prospects.

Valmet and Neles have, from time to time, been involved in product liability claims that are typical for companies operating in their industry and several lawsuits, claims and disputes based on various grounds are pending against Valmet and Neles in various countries, including product liability lawsuits and claims as well as legal disputes related to Valmet's and Neles' deliveries. The Combined Company will continue to face such potential risks in the future. Product liability claims typically include claims based on bodily injury. In addition, Valmet and Neles are and/or have been involved in lawsuits and claims related to intellectual property rights and asbestos, and the Combined Company may be subject to such claims and lawsuits from time to time in the future. The Combined Company's products may also be used in locations where customers' activities can endanger the environment and result in liability for the Combined Company.

In an attempt to reduce the risk of product liability, intellectual property rights, occupational safety and other claims, Valmet and Neles have generally taken various measures, including providing start-up training for customers, providing comprehensive instruction manuals, investing in product safety development and automation, including provisions limiting its liability in sales contracts (subject to applicable laws). Although the Combined Company is expected to continue to take such preventative actions in the future, it may be liable for damages, which could have a material adverse effect on the business, financial position, results of operations, future prospects, or Share price of the Combined Company.

The Combined Company's operations will be subject to risks related to compliance and crimes, which could result in administrative sanctions and fines and harm the Combined Company's reputation.

Valmet and Neles had employees across over 40 countries as of June 30, 2021.The Combined Company will be subject to various laws and regulations different from each other and ethical business practices, including among others, corruption, bribery and competition compliance, affecting its operations.

Illegal activities such as fraud, misconduct or criminal acts, present a potential risk for the Combined Company. Even though the potential risk of illegal activity or misconduct is considered to be relatively limited, this type of activity could undermine the Combined Company's reputation and have a material adverse effect on the business, financial position, results of operations, future prospects, or Share price of the Combined Company. Although the Combined Company will seek to comply with all applicable laws and regulations and ethical business practices, the Combined Company could unknowingly breach such laws and regulations and practices due to erroneous interpretations or other reasons. In addition, such breaches could be committed by the Combined Company's suppliers or third-party sales channel partners (distributors, resellers and agents). Such breaches, even without any direct fault on the Combined Company's part, may result in significant damage to the Combined Company's brand and reputation as a responsible company with high ethical standards. Any non-compliance could increase the Combined Company's costs or lead to fines, administrative sanctions or other penalties and deteriorate its customer relationships and have a material adverse effect on the business, financial position, results of operations, future prospects, or Share price of the Combined Company.

The Combined Company's business may be adversely affected by the loss of senior managers or employees in key positions, and it may fail in recruiting and retaining people with the required skill set.

The Combined Company will be dependent on the working capacity of its senior management and key personnel and their continued employment with the Combined Company during the time before the completion of the Merger and after the Effective Date. The loss of key employees, or an inability to hire and retain additional senior management could prevent the Combined Company from carrying out its business successfully. The Combined Company's performance also depends upon the mobility of skilled personnel and its ability to identify, attract, develop, motivate and retain professional personnel, including highly skilled engineers, IT professionals, technicians, highly capable project, product and business managers, and effective sales managers. The Combined Company will compete with other companies to recruit and hire from a limited pool of potential employees with the required skill set and relevant industry experience.

It is also possible that the Combined Company will not become a preferred employer in its industry, as planned. The training of new employees requires a large amount of time and resources and disrupts the normal course of the Combined Company's operations. In addition, the COVID-19 pandemic has triggered new kinds of management and leadership challenges as remote working has become more usual, which necessitates an increased focus and commitment to management and employee engagement. Furthermore, a high employee turnover in general, prolonged and large-scale sick leaves of personnel in relevant markets (for example, due to COVID-19 infections or other epidemics) and an inability to move personnel according to the Combined Company's operational needs could also cause delays or quality failures in customer projects, leading to penalties or losses of existing and potential customers or to recruiting of people with the required skill set. Failure in retaining senior managers or key personnel or recruiting new talent could have a negative impact on the reputation, performance, efficiency, and profitability of the Combined Company's operations or implementation of the Combined Company's strategy.

In addition, the operation and maintenance of several digital solutions and IT Systems may be dependent on a very narrow resource and skill base, which could also be subject to change following the Merger. Remaining competitive in attracting and retaining key employees as well as being able to maintain and adjust their required skill sets may require the Combined Company to increase investments in recruiting, training and retaining key employees. Failure to recruit and retain key personnel with the required competences to operate and maintain these solutions and systems may, in turn, have a negative impact on service level in the near term and on development capability for the longer term.

Materialization of any of the above factors could have a material adverse effect on the business, financial position, results of operations, future prospects, or Share price of the Combined Company.

The Combined Company will be subject to the risk of adverse employee relations or labor disputes, including any restructuring of operations that may be carried out due to the Merger or by Valmet and Neles.

On a combined basis, Valmet and Neles had approximately 17,240 employees as at June 30, 2021 around the world. As Valmet's, Neles' and the Combined Company's business is labor intensive, maintaining good relationships with the Combined Company's employees, unions and other employee representatives will be crucial to the Combined Company's operations.

On April 21, 2020, Valmet announced that due to financial and production related reasons, especially because of the decreasing workload and in order to prepare for the potential widening of the business impacts from the COVID-19 pandemic, Valmet was to start co-determination negotiations for temporary lay-offs. On December 2, 2020, Valmet announced that the co-determination negotiations had been completed, and as a result at this stage altogether 372 employees, 227 in the Services business line and 145 employees in the EMEA (Europe, the Middle East and Africa) ("**EMEA**") area organization in Finland will be temporarily laid-off due to low workload. The above reorganizations may subject Valmet to disputes and deterioration of the relationships with their employees.

The COVID-19 pandemic has also required Neles to implement certain structural changes. Temporary layoffs, as announced on March 25, 2020, included the most of personnel in Finland, excluding some employees in manufacturing in the Vantaa factory and in IT. Similar arrangements were implemented globally. Neles Finland Oy announced on May 11, 2020 employee negotiations in Finland relating to the restructuring of the valve business, which were finalized on June 23, 2020. As a result, 32 permanent positions of the initial estimated maximum of 45 were terminated in 2020. In the United States, 49 permanent positions were terminated in the second quarter of 2020. Due to the weakened demand for valve products resulting from COVID-19, Neles Finland Oy also announced on December 7, 2020 employee negotiations concerning the production of its Helsinki plant. The negotiations were completed on December 17, 2020. As a result of the negotiations, temporary layoffs of employees in the factory production and quality functions were initiated for production and financial reasons. The temporary layoffs affect a total of approximately 300 people, and their precise targeting and duration will depend on the job function. Layoffs are for a fixed period of up to 90 days starting on January 1, 2021. The above reorganizations may subject Neles to disputes and deterioration of relationships with its employees.

Any deterioration of the relationships with its employees, including an unsuccessful change management in connection with the Merger could result in disruptions of the Combined Company's operations. Should any workforce reductions become relevant in the future, this could lead to concerns and restlessness among the employees. Any potential plans to develop or restructure certain aspects of the Combined Company's business would be subject to the applicable national or local information and consultation obligations which may affect to some extent the Combined Company's ability to restructure its operations and organization or entail additional costs. Dissatisfaction among employees could have adverse impacts on the Combined Company's operations.

Increased costs of labor, including the costs of employee benefit plans, labor disputes, work stoppages or labor union activity could undermine the Combined Company's competitiveness or lead to disruptions in operations. The Combined Company may have to adjust its personnel structure as a result of the Merger. The Combined Company cannot assure that potential future issues with its employees or labor unions will be resolved favorably or that it will not encounter future strikes, further unionization efforts or other types of conflicts with labor unions or employees. Further, the Combined Company must inform and/or consult with union representatives or works councils in managing, developing or restructuring certain aspects of its business, which may impair the Combined Company's ability to restructure its operations and organization or entail additional costs. The Combined Company's customers and suppliers may also be subjected to their own labor disputes or industrial actions, which may then result in delays in projects and higher costs than estimated. This could have a negative impact on the Combined Company's profitability.

Materialization of any of the above factors could have a material adverse effect on the business, financial position, results of operations, future prospects, or Share price of the Combined Company.

The Combined Company will collect and process personal data as part of its daily business and the leakage of such data or failure to process the data in accordance with applicable regulation could have a material adverse effect on the Combined Company's business and reputation as well as result in claims for damages as well as fines and orders imposed by the authorities.

The Combined Company will collect, store and process significant amounts of personal data as part of its business operations. On a combined basis, Valmet and Neles had approximately 17,240 employees across over 40 countries as of June 30, 2021. Processing of personal data is subject to legislation that sets the requirements for the processing and data security as well as defines the obligations of the data controller and data processor. The EU's General Data Protection Regulation (regulation (EU) 2016/679, the "**GDPR**") is a general regulation on the processing of personal data. The GDPR is specified and supplemented by the Finnish Data Protection Act (1050/2018, as amended) as well as a number of specific laws, such as the Finnish Act on Protection of Privacy in Working Life (759/2004, as amended). Certain jurisdictions may also enact, *e.g.*, counterterrorism regulations or provisions aimed at crime-prevention, which require the provision of access to local authorities, or that data concerning customers within their jurisdiction must be stored locally. This may create a conflict between complying with local regulations, on one hand, and the duties imposed on the Combined Company by the GDPR, by the adequate safeguarding of international transfers, and by agreements concerning the storage or processing of data, on the other hand, and this may result in regulatory non-compliance or breaches of agreements.

If the Combined Company fails to comply with applicable regulations regarding personal data, the Combined Company will be exposed to the risk of damages and other possible costs. Under the GDPR, a national data protection authority has the power to impose corrective actions, such as a temporary or definitive ban on personal data processing, and to impose administrative fines for breaches of the GDPR up to EUR 20 million or 4 percent of the total worldwide annual turnover of a company. The Combined Company may also need to take corrective actions, change its processes and operations, or revise or change its information systems and related processes to ensure compliance with the GDPR. Additionally, due to non-compliance with the GDPR, the Combined Company may be ordered to delete personal data, and be prohibited from processing personal data or the processing of personal data may be temporarily or permanently restricted. The Data Protection Ombudsman of Finland (in Finnish, *tietosuojavaltuutettu*) may impose a conditional fine for the purpose of enforcing an order under certain circumstances. Specific legislation also imposes its own sanctions for non-compliance. In addition, the awareness of data subjects about their rights, such as the right to have their personal data deleted in certain situations or to object to the processing of such data, may affect the Combined Company's operations in the event of a large number of requests. It also cannot be fully excluded that the Combined Company could have contractual liability in the event a processor acting on behalf of the Combined Company would be subject to the GDPR related sanctions. Due to the paucity of legal praxis related to GDPR, there is still a bit of uncertainty in the interpretation of the legislation. The GDPR may be interpreted and applied inconsistently between Member States, and data protection regulation may conflict with other legislation. The above increases the risk of unintended regulatory breaches. There are other data protection laws with similar requirements which could affect the Combined Company's operations as well. For example, the applicability of the enforcement provisions of the Brazilian General Data Protection Law (Lei Geral de Proteção de Dados, "**LGPD**") took effect on August 1, 2021. The LGPD establishes two types of monetary fines: simple and daily fines, both with the same limit of BRL 50 million (approximately EUR 8.3 million).

The Combined Company may also be subject to personal data breaches, which may adversely affect the Combined Company's reputation, among other things. Possible causes of personal data breaches include hacking, malware, encryption errors in information systems, human errors in the processing of personal data in physical or electronic form, errors in the transfer of large amounts of personal data from one system to another, or the unlawful viewing, disclosure or use of personal data by employees or third parties. Moreover, integrating and harmonizing Valmet's and Neles' practices for processing personal information following the completion of the Merger could require unforeseen resources and costs.

Materialization of any of the above factors could have a material adverse effect on the business, financial position, results of operations, future prospects, or Share price of the Combined Company.

Risks Related to the Combined Company's Customer Relationships

A failure to meet customers' expectations as regards the Combined Company's product and services offering may have an adverse effect on the Combined Company's reputation, business, financial position and results of operations.

The quality and safety of the Combined Company's products and services will be critical to the success of its business. The Combined Company will develop and supply technologies, flow control, automation and services for process industries globally. All the Combined Company's products and services are designed to meet the expectations of the customers as regards their quality. The Combined Company's R&D function will have a significant role in meeting all applicable product requirements. The Combined Company's products and services will be also designed to satisfy the applicable legal and regulatory requirements as well as the standards established by a number of regulatory and testing bodies. However, there can be no assurance that the Combined Company's products and services will in all circumstances meet all of the aforementioned expectations and/or requirements or that the R&D of the Combined Company will be sufficient in this respect. In addition, components produced in serial production are exposed to a risk of defects in the entire production process, which could have severe financial consequences. Disruptions in supply chains, human error or equipment fault could lead to problems in production capacity and continuity which could in turn lead to quality or safety issues, which could have severe consequences and could adversely affect the Combined Company's financial position. A failure to meet the customers' expectations or product liability requirements or the emergence of defects in production could lead to reputational damage or loss of customers and business opportunities or incur significant costs due to product recalls, damages, or replacement or repair of defective products. Materialization of any of the above factors could have a material adverse effect on the business, financial position, results of operations, future prospects, or Share price of the Combined Company.

Non-payment by a large customer could have a material adverse effect on the Combined Company's business, financial position, results of operations and prospects.

The value of Valmet's projects varies broadly and the value of its largest projects can be close to EUR 1 billion. If a customer fails to meet its payment obligations for a large project, it may have a material adverse effect on the business, financial position, results of operations, future prospects, or Share price of the Combined Company. Similarly, Neles also has projects of variable sizes of up to a bit over EUR 10 million and may also be subject to the risk of customers failing to meet their payment obligations. While the Combined Company typically attempts to reduce the risk of non-payment by requiring advance payments throughout the development of projects, there can be no assurance that this or any similar measures that the Combined Company takes will be effective.

The Combined Company's key customer relationships may be discontinued, and customers may fail to secure financing to purchase the Combined Company's products and services.

Although Valmet and Neles consider their current customer bases well diversified, individual purchases made by certain customers from Valmet, and thereby the Combined Company, will be significant and certain customers have considerable purchasing power. These key customers may not continue purchasing the Combined Company's products or services, or they may not purchase them at least in the same amounts or on terms as favorable to the Combined Company. Some of the Combined Company's sales will be financed by third-party financiers on behalf of the customers of the Combined Company. The availability of financing by third parties is affected by general economic conditions and the creditworthiness of customers. Deterioration in either of the foregoing conditions could negatively impact the ability of the Combined Company's customers to obtain the financing that they need to purchase the Combined Company's products or services. In the event that the Combined Company's customers are unable to obtain sufficient financing, such customers may not place new orders or may need to cancel their existing orders. This could also adversely affect customers' payment behavior and increase the risk of lawsuits, claims and disputes taken against the Combined Company related to its products, projects and other operations. Any failure of the Combined Company's customers to secure financing to purchase the Combined Company's products or services, a significant reduction in key customers' purchases, the discontinuation of key customers' relationship with the Combined Company or an increased prominence of lawsuits, claims or disputes may have a negative impact on sales and results, which could have a material adverse effect on the business, financial position, results of operations, future prospects, or Share price of the Combined Company.

Risks Related to the Combined Company's Financial Position and Financing

Fluctuations in foreign exchange rates could have a material adverse effect on the Combined Company's business, financial position, results of operations and prospects.

The Combined Company will be exposed to foreign exchange risk in several currencies. Substantial proportion of Valmet's and Neles' net sales and costs are generated in euro, U.S. dollar, the Swedish krona and the Chinese yuan. Neles operates globally and is exposed to foreign exchange risk in several currencies, although the geographical diversity of operations decreases the significance of any individual currency. About 74 percent of Neles' sales originate from outside the euro zone; the main currencies being euro, U.S. dollar, Singapore dollar, Brazilian real and Chinese yuan. In 2020, currency exchange rate changes had a negative impact of 4 percent in 2020 on Neles' orders received. The currency exchange rate impacts came mainly from the Brazilian real, U.S. dollar, Singapore dollar, South African rand, and Chilean peso.

The principal forms of the Combined Company's risks associated with exchange rate fluctuations include transaction exposure and translation (equity) exposure. Foreign exchange transaction exposure arises when a subsidiary of the Combined Company has commercial or financial transactions and payments in another currency than its own functional currency and when related cash inflow and outflow amounts are not equal or concurrent. In accordance with Valmet's treasury policy, Valmet's subsidiaries are required to hedge in full the foreign currency exposures on consolidated statement of financial position and other firm commitments. Future cash flows denominated in a currency other than the functional currency of the subsidiary are hedged with internal forward exchange contracts with the treasury for periods that do not usually exceed two years. Valmet's subsidiaries also carry out hedging directly with the banks in countries where the regulation does not allow corporate internal cross-border contracts. In accordance with the Neles Treasury Policy, operating units are required to hedge in full the foreign currency exposures on balance sheet and other firm commitments. Neles hedges currency exposure linked to firm delivery and purchase agreements. Future cash flows denominated in a currency other than the functional currency of the unit are hedged with internal foreign exchange contracts with the Group Treasury for periods, which do not usually exceed two years. Operating units also do some hedging directly with banks in countries, where regulation does not allow corporate internal cross-border contracts. To manage the foreign currency exposure, the Neles Group Treasury may use forward exchange contracts and foreign exchange options. The Combined Company will determine its own measures and it is expected that the Combined Company will follow similar measures in the future.

Foreign exchange translation exposure of the Combined Company, on the other hand, arises when goodwill or fair value step ups, or equity of a subsidiary, is denominated in currency other than the functional currency of its respective parent company. This exposure may lead to translation differences in the Combined Company's consolidated equity. The major translation exposures of Valmet are in U.S. Dollar, Chinese yuan and Swedish krona, which altogether comprised in December 2020 approximately 65 percent of the total equity exposure of Valmet. The major translation exposures of Neles are in U.S. Dollar and Chinese yuan, which altogether comprise approximately 82 percent of the total equity exposure of Neles. Neither Valmet nor Neles is currently hedging any translation exposure, and the Combined Company is expected to follow a similar approach in the future.

Uncertainty in the economy is likely to increase exchange rate fluctuations. Exchange rate fluctuations may also weaken the cost competitiveness of the Combined Company's products as compared to its competitors' products that are manufactured in other currency areas. Although the measures Valmet has taken, and the measures the Combined Company is expected to take, to hedge its exposure to exchange rate fluctuations have in the past been adequate, there can be no assurance that exchange rate fluctuations will not have a material adverse effect on the business, financial position, results of operations and future prospects, or Share price of the Combined Company.

The Combined Company will be exposed to liquidity risks.

The Combined Company's material liquidity needs will mainly relate to short- and long-term debt servicing costs, capital expenditure, dividend and tax payments, corporate acquisitions, investments and changes in working capital. The Combined Company's primary sources of liquidity to meet these needs will be cash flow from operations, funds available from credit facilities as well as cash and cash equivalents, which also include cash in hand and at banks as well as short-term deposits and investments.

Adverse developments in the general economic situation could have a significant effect on the Combined Company's ability to maintain its liquidity. In addition, disruptions in the supply chain may lead to an increase in inventories, which may affect the Combined Company's liquidity position. Decreased customer demand and investment appetite resulting from economic downturns or market volatility could have a negative impact on the Combined Company's sales and ability to maintain its operating cash flows. This could in turn lead to the depletion of its cash and cash equivalents reserves, resulting in the need to obtain further funding from markets. In the event of uncertainty and volatility in the financial markets, such financing may be unavailable at favorable terms or at all.

Materialization of any of the above factors could have a material adverse effect on the business, financial position, results of operations, future prospects, or Share price of the Combined Company.

The Combined Company will be exposed to risks related to pension benefit plans and pension liabilities.

The Combined Company will have various pension plans in accordance with local regulations and practices in different countries in which the Combined Company operates. Valmet has in certain countries post-employment benefit schemes that involve defined benefit plans with retirement, disability, death, and other post-retirement benefits, such as health benefits, and termination income benefits. Valmet's defined benefit plans are post-employment benefit plans other than defined contribution plans. In addition, certain entities within the Valmet Group have multiemployer pension arrangements. Neles has several different post-employment plans in accordance with local regulations and practices in countries where it operates. In certain countries, the plans are defined benefit plans providing retirement, disability, death, and other post-employment benefits, termination and retirement lump sums. The retirement benefits are usually based on the number of service years and the salary levels of the final service years. Neles has both defined contribution and defined benefit pension plans.

In the case of both Valmet's and Neles' defined benefit plans, the net defined benefit liability recognized from the plan is the present value of the defined benefit obligation as at end of the reporting period, reduced by the fair value of the plan assets. In the case of both companies, independent actuaries calculate the defined benefit obligation by applying the projected unit credit method under which the estimated future cash flows are discounted to their present value using a duration specific discount rate. The cost of providing pension and other post-retirement benefits is charged by both Valmet and Neles to profit or loss concurrently with the service rendered by the employees.

Valmet's most financially significant arrangements are in the United States, Canada and Sweden which together represented in December 2020 86 percent of Valmet's defined benefit obligations and 82 percent of Valmet's defined benefit plan assets. Neles' most financially significant arrangements are the United States pension plan and the German pension plans which amount for 98 percent of Neles' pension obligations and 99 percent of Neles' pension assets. The United States plan is closed to new entrants and to future accrual of benefits. Annual funding valuations are carried out in accordance with local principles to determine if cash funding contributions are required. As the plan has been in surplus over recent years, no contributions have recently required recently.

The Combined Company will be exposed to various risks related to the defined benefit plans, including the risk of change in discount rates, actual investment returns being lower than assumed rates of return and the risk of results deviating from actuarial assumptions for areas such as mortality of plan participants. As at June 30, 2021, Valmet's defined benefit net liabilities amounted to EUR 182 million and Neles' defined benefit net liabilities amounted to EUR 11 million. If the costs of the defined benefit plans or the defined benefit net liabilities of the Combined Company increase significantly, that could have a material adverse effect on the business, financial position, results of operations and future prospects, or Share price of the Combined Company.

Failure to effectively manage credit and counterparty risk could have a material adverse effect on the Combined Company's business, financial position, results of operations and prospects.

The Combined Company's credit or counterparty risk is defined as the possibility of a customer, subcontractor or a financial counterparty not fulfilling its commitments towards the Combined Company. Valmet's subsidiaries are primarily responsible for credit risks pertaining to sales and procurement activities. Valmet's subsidiaries assess the credit standing of their customers, by taking into account their financial position, past experience and other relevant factors. Valmet's treasury provides centralized services related to trade, project and customer financing and seeks to ensure that the principles of Valmet's treasury policy are adhered to with respect to terms of payment and required collateral.

The Combined Company's ability to manage its trade receivables exposure, customer financing, risk concentrations and financial counterparty-related risks will depend on a number of factors, including its capital structure, market conditions affecting its counterparties, and its ability to mitigate exposure on acceptable terms. Counterparty risk, for which all open exposures such as cash at bank accounts, investments, deposits and other financial transactions, for example derivative contracts, are included, also arises from financial transactions agreed upon with banks, financial institutions and corporations. Valmet and Neles seek to manage this risk by careful selection of banks and other counterparties and by applying counterparty specific limits and netting agreements. The Combined Company will determine its own procedures and it is expected that the Combined Company will continue to manage its credit and counterparty risks with similar measures in the future.

The Combined Company may fail in managing the risks related to its trade receivables exposure, customer financing, risk concentrations or financial counterparties, which could have a material adverse effect on the business, financial position, results of operations and future prospects, or Share price of the Combined Company.

Should the market conditions deteriorate, the Combined Company could encounter difficulties in refinancing its debt and financing its operations at competitive terms.

As at June 30, 2021, Valmet's interest-bearing liabilities were EUR 475 million and Neles' interest bearing liabilities were EUR 218 million. The Combined Company's pro forma interest-bearing liabilities were EUR 903 million as at June 30, 2021. Up until the completion of the Merger, Valmet and Neles will each manage their own liquidity and financing arrangements. Certain of Neles' financing agreements may be prematurely accelerated due to the Merger. Neles seeks to obtain certain consents and waivers in respect of its existing indebtedness. Any indebtedness in relation to which requisite consents have been obtained prior to the completion of the Merger, together with the indebtedness refinanced in connection therewith, will transfer to the Combined Company. There can be no assurance, however, that such waivers will be granted to Neles. Certain Valmet's existing financing arrangements may also be cancelled and prematurely accelerated due to the completion of the Merger.

Valmet and Neles have entered into the New Facilities Agreements (as defined in "*Information on the Combined Company – Financing*"), which will automatically transfer to the Combined Company upon the completion of the Merger. There can be no assurance that any future financing arrangements of the Combined Company would have similar conditions as the New Facilities Agreements entered into prior to the Merger. The terms of financing available for the Combined Company will be affected by the development of the Combined Company's business. Although Valmet and Neles have obtained commitments for financing for the Merger under the New Facilities Agreements, exceptional financial market conditions could also lead to increased costs and weaker availability of external financing needed in order to carry out the Combined Company's business. Failures in the efficient management of capital, including breaches of financial covenants contained in financing arrangements and agreements or negligence related to the Combined Company's financing arrangements, could result in premature termination of financing agreements or acceleration of credits and other financing arrangements. Such failures could also result in the triggering of cross default clauses in other loan or financing arrangements of the Combined Company, which could lead to premature acceleration of these other loan or financing arrangements. This could also hinder the availability of financing for the Combined Company and distress the Combined Company's liquidity and capital structure. Such events could prevent the Combined Company from maintaining its target equity to asset ratio, impair its ability to make necessary investments required to maintain and develop its operations, and could ultimately lead to financial distress or insolvency.

Materialization of any of the above factors could have a material adverse effect on the business, financial position, results of operations, future prospects, or Share price of the Combined Company.

Fluctuations in interest rates could have a material adverse effect on the Combined Company's business, financial position, results of operations and prospects.

Changes in market interest rates and interest margins may affect the Combined Company's financing costs, returns on financial investments and market valuation of interest-bearing liabilities. Valmet's and Neles' interest-bearing liabilities as at June 30, 2021, amounted to EUR 475 million and EUR 218 million, respectively. Although it is expected that the Combined Company manages its interest rate risks as Valmet and Neles have done in the past, there can be no assurance that interest rate fluctuations will not have a material adverse effect on the business, financial position, results of operations and future prospects, or Share price of the Combined Company.

The Combined Company's actual tax benefits or tax liabilities may be materially different from estimates or expectations and the Combined Company may be unable to fully utilize its deferred tax assets.

In estimating the Combined Company's income tax payable, the Combined Company's management will use accounting principles to determine income tax positions that are expected to be sustained by applicable tax authorities. However, there can be no assurance that the Combined Company's final tax benefits or tax liability would not materially differ from the Combined Company's estimates or expectations. Due to the international nature of its business, the Combined Company will be subject to tax laws, regulations and interpretations of several jurisdictions. The tax legislation, regulations and interpretations that apply to Valmet's and Neles' operations are continually changing, and changes may also be applicable retroactively. Future tax benefits and liabilities are dependent on factors that are inherently uncertain and subject to change, including future earnings, future tax rates, and future operations in the various jurisdictions in which the Combined Company will operate.

As at June 30, 2021, the recorded deferred tax assets of Valmet were EUR 77 million and the deferred tax liabilities EUR 65 million, and the recorded deferred tax assets of Neles were EUR 18 million and the deferred tax liabilities EUR 4 million. The Combined Company's ability to generate taxable income will be subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond its control. If lower taxable incomes than the amounts Valmet and Neles have assumed in determining their deferred tax assets are generated, then the value of their deferred tax assets could be reduced, which could have a material adverse effect on the Combined Company's business, financial position and results of operations. In addition, the amount of the Combined Company's deferred taxes would be changed if corporate tax rates were changed in the countries where the group is located.

The Merger may result, at least in some jurisdictions, to a direct or indirect change of ownership which may trigger taxes in the applicable jurisdictions. Additionally, certain loss carry-forwards or other similar tax attributes, in part or in full, may be forfeited in the Merger. For more information, see "*Taxation – Tax Implications of the Merger – Valmet and Neles*".

Any changes to relevant tax laws, the way they are interpreted and applied, erroneous interpretations thereof or any changes to the current rate of taxes could result in payment increases or sanctions imposed by tax authorities which may, in turn, have a material adverse effect or negative impact, prospectively and/or retroactively, on the Combined Company's effective tax rate, business, net assets, financial condition, cash flow and returns to the shareholders. In addition, any change in tax rules and tax arrangements could also have an adverse effect or negative impact on the shareholders' taxation and the relevant tax rate as well as increase tax uncertainty for the Combined Company and its shareholders.

For instance, the Anti-Tax Avoidance Directive (EU) 2016/1164 ("**ATAD**") and Directive (EU) 2017/952 amending Directive (EU) 2016/1164 ("**ATAD II**") may require Member States of the EU to further amend their tax legislation or taxation practice and has required and may further require to implement, among other things, exit tax rules, limitations on the right to deduct interest expenses and controlled foreign company rules as well as rules as regards hybrid mismatches.

Due to the ATAD, Finland has amended the limitations on the right to deduct interest expenses (*e.g.*, to cover also group-external debt), controlled foreign company rules (*e.g.*, the minimum ownership threshold was lowered to 25 percent), and exit tax rules for companies as well as enacted new law on hybrid mismatches. As of 2022, Finland must comply with ATAD II rules on reverse hybrid mismatches. These amendments due to the ATAD or ATAD II and other possible future amendments could increase the Combined Company's tax burden. Furthermore, the OECD (Organisation for Economic Cooperation and Development) multilateral instrument, including the so-called principal purpose test, could increase uncertainty with respect to application of tax treaties.

The Combined Company's tax returns will be continually subject to review by the competent tax authorities, in addition to which Valmet, Neles and the Combined Company may be subject to tax or administrative audits in different jurisdictions according to the rules applicable to them. These audits may also target financial periods of Valmet and Neles preceding the Effective Date according to applicable rules of the relevant jurisdictions. In the audits, the tax authorities determine the amounts of taxes payable or receivable, of any future tax benefits or liabilities and of income tax expenses that the Combined Company may ultimately recognize. Such taxation decisions will become final and binding on the

Combined Company unless changed in potential adjustment or appeal processes. Unforeseen costs may also arise from protectionist government policies resulting in sudden changes to tax laws or interpretations of laws concerning the operations of foreign companies in certain countries, which would be detrimental to the Combined Company. The actions of tax authorities in different jurisdictions and government policies may lead to conflicting interpretations by tax authorities in different jurisdictions, and could increase the risk of multiple taxation as well as costly disputes concerning the taxation of the Combined Company, its subsidiaries or taxable permanent establishments. Resulting increases in the Combined Company's tax liabilities could have a material adverse impact on the profitability of the Combined Company's significant operations, and thus result in decreased results of operations at the group level.

Materialization of any of the above factors could have a material adverse effect on the business, financial position, results of operations, future prospects, or Share price of the Combined Company.

The Combined Company's actual custom liabilities or customs related costs may be materially different from estimates or expectations.

Valmet, Neles and the Combined Company may be subject to customs audits in different jurisdictions according to the rules applicable to them. These audits may target the accounts and other business records of Valmet, Neles or the Combined Company after the import or export transaction has been finalized. In the customs audits, the customs authorities check the correctness of the customs declaration, determine the amount of customs payable and may impose additional duty payments, fines and penalties. The actions of customs authorities in different jurisdictions and government policies may lead to customs related adjustments. Valmet and Neles have procedures and policies aimed at ensuring compliance with customs requirements in all countries where they operate, whether in import, transit, or export of goods. Valmet and Neles have, from time to time, been audited by custom officials and subject to non-substantial additional duty payments, fines and penalties.

Resulting increases in the Combined Company's customs related costs, could have a material adverse impact on the profitability of the Combined Company's significant operations, and thus result in decreased results of operations. Materialization of any of the above factors could have a material adverse effect on the business, financial position, results of operations, future prospects, or Share price of the Combined Company.

The Combined Company may be subjected to reversals or reassessments of tax liabilities under transfer pricing regulations.

The Combined Company operates in jurisdictions that impose transfer pricing and other tax-related regulations on the Combined Company, and any failure to comply could materially and adversely affect the Combined Company's profitability. According to the transfer pricing regulation companies must conclude any intra-group transactions on an arm's length basis and provide sufficient documentation thereof in accordance with applicable rules of the relevant jurisdictions. The Combined Company conducts intra-group transactions between legal entities located in the different countries. Therefore, the Combined Company may be exposed to the transfer pricing risks, as authorities may question the conformance of the transfer pricing rules the Combined Company follows in its operations. Valmet and Neles have been and the Combined Company may in the future become subject to tax and administrative audits, and the Combined Company's tax liability may be revised in accordance with an inspection or audit carried out by the competent authorities. There can however be no guarantee that the Combined Company would not be subjected to reassessment decisions in the future, or that such decisions would be reversed. Materialization of any of the above factors could have a material adverse effect on the business, financial position, results of operations, future prospects, or Share price of the Combined Company.

Changes in assumptions, estimates or discretion underlying the carrying amounts of certain assets could result in impairment of such assets, including intangible assets such as goodwill.

In connection with the Merger, there will be significant goodwill, other intangible assets as well as property, plant and equipment recorded in the Combined Company's consolidated statement of financial position. The unaudited pro forma statement of financial position as at June 30, 2021 included in the Pro Forma Information, which have been prepared for the purpose of illustrating the financial impact of the Merger, included EUR 1,837 million of goodwill, EUR 1,213 million of other intangible assets and EUR 570 million of property, plant and equipment.

The Pro Forma Information is presented for illustrative purposes only and has been prepared based on available information and certain preliminary assumptions and estimates that are considered to be reasonable under the current circumstances taking into account the ongoing regulatory approval process, which restrict access to detailed information. Actual results of the Merger, including the final values of goodwill and other intangible assets to be recognized at the Effective Date, may materially differ from the values presented in the Pro Forma Information that are based on assumptions presented therein. For further information, see "*Unaudited Pro Forma Financial Information*".

Goodwill is not amortized but its carrying value is reviewed for impairment annually or more frequently, if the facts and circumstances, such as decline in sales, operating profit or cash flows, or material adverse changes in the business environment, suggest that carrying value may not be recoverable. Other intangible assets and property, plant and equipment are amortized or depreciated over their useful lives and tested for impairment when events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable.

Impairment testing is based on a number of estimates. The valuation of goodwill is inherently judgmental and subject to change from period to period because it requires management to make assumptions on the discount rate used, the terminal growth rate and about future supply and demand related to its individual business units, future sales prices and achievable cost levels. Significant changes in net sales or cost items, cash flow projections, discount rates or growth rates based on the Combined Company's strategic plans could result in impairments of goodwill or other assets, which would lower the Combined Company's results. Also, other events or circumstances, such as increasing financial uncertainty, increasing competition and other factors leading to declining sales or profitability, could result in an impairment of goodwill or other assets. Intangible assets, such as recognized trademarks, technology, customer relationship and order backlog are particularly susceptible to impairments. In the event that a particular intangible asset would no longer be subject to a reasonable expectation of income *e.g*. due to technological developments that would render the product obsolete, this could result in a write-down of the intangible assets, which may have a material adverse impact on the Combined Company's results of operations. If Valmet's, Neles' or the Combined Company's management's discretion, assumptions or estimates or market conditions change, the estimate of the recoverable amount of goodwill and other tangible assets and intangible assets or the net realization value of inventories could decline significantly, causing impairments. There can be no assurance that the Combined Company will not be required to record impairments in the value of goodwill, other intangible assets or property, plant and equipment in the future.

The timing of the revenue recognition of long-term capital projects and long-term service contracts could cause the Combined Company's result to fluctuate.

Valmet recognizes revenue from long-term capital projects and long-term service contracts over time, and the Combined Company is expected to continue to apply the same method in the future when it determines that control on goods or services is transferred over time. The progress towards complete satisfaction of the performance obligation is determined based on the cost-to-cost method, where accumulated costs for the projects are compared with estimated total costs. The cost-to-cost method involves the use of significant management judgment related to estimated costs of the projects and contracts and assessing the stage of completion.

The amount of revenue recognized for the long-term capital projects and long-term service contracts may increase or decrease from one period to another due to changes in conditions and circumstances over time, such as modifications and scope changes to the original contract due to changes in client specifications or uncertainties and risks relating to assumptions utilized in the estimation of project cost, components delays, overruns or other circumstances that impacts the project cost of completion, among others. Since the overall costs arising from long-term capital projects and long-term service contracts are based on estimates, the timing on which percentage-of-completion projects are recognized as income is highly dependent on the success of these estimates. Additionally, a change in cost estimates may affect already recognized income. When it becomes known that the total expenses of long-term capital projects and long-term service contracts will exceed its total income, the loss is recognized as an expense immediately.

Changes in cost estimates and the timing of the revenue recognition of the long-term capital projects and long-term service contracts could cause the Combined Company's result to fluctuate from one reporting period to another. Revenue recognition has a direct effect on the result for the period in question.

Risks Related to the Shares

The market price of the Shares may fluctuate considerably, which may result in investors losing all or part of their invested capital.

The market price of the Shares may fluctuate considerably. Market price fluctuations may be due to change in sentiment in the market regarding the Shares or similar securities, as well as due to several other factors and events, such as changes in the Combined Company's results of operations and the expected development of its business. In addition, prices and the volume of trading on the equity markets fluctuate considerably from time to time, which may be unrelated to the Combined Company's results of operations or future prospects. Materialization of any of the above factors could lead to a decrease in the market price of the Shares, which may result in investors losing all or part of their invested capital. See also "*– Risks Related to the Merger – The exchange ratio of Merger Consideration Shares has been agreed in the Combination Agreement and the Merger Plan and will not be adjusted to reflect potential fluctuations in the market price of the shares in Valmet or Neles*" above.

The Combined Company may be unable to, or may decide not to, pay dividends or other distributions of unrestricted equity in the future.

According to the Finnish Companies Act, the amount distributed by the Combined Company as dividends or other distribution of unrestricted equity may not exceed the amount of distributable funds shown on the last audited statement of financial position of the Combined Company approved by the General Meeting of shareholders. As the Combined Company will be the parent company of the Combined Company group, its distributable funds and thus its ability to pay dividends or distribute other unrestricted equity will depend upon several conditions such as the level of income to be derived by the Combined Company from the management fees, service charges, group contributions, dividend payments and interest income received from its subsidiaries, if any, and the level of its cash reserves. As a result, the possible distribution of dividends or other unrestricted equity will depend on the Combined Company's and its subsidiaries' results of operations, financial position, cash flows, need for working capital, investments, future prospects, terms of their financing agreements, ability to transfer profits from the subsidiaries to the Combined Company and other factors. The payment of dividends or the distribution of other unrestricted equity is always based on the discretion of the Combined Company's Board of Directors and is ultimately dependent on a resolution by the General Meeting. Additionally, under the Finnish Companies Act, the distribution of dividends is not permitted if it would jeopardize the Combined Company's solvency. As part of the proposed combination, the Boards of Directors of Valmet and Neles have agreed that they can propose to their respective annual general meetings a distribution of funds and in accordance with the current dividend policy and past practice, respectively, in an aggregate amount not exceeding EUR 180 million for Valmet and an aggregate amount not exceeding EUR 40 million for Neles for the financial year ending December 31, 2021 if the completion of the Merger has not taken place by certain time and under certain conditions. In addition, Neles may distribute the Extra Distribution to Neles Shareholders.

The Combined Company will annually assess the preconditions for distributing dividends or other unrestricted equity. The dividends paid or other unrestricted equity distributed by Valmet or Neles for previous financial years are not an indication of the dividends to be paid by the Combined Company for financial years in the future, if any. There can be no assurance that the Combined Company will distribute any dividends or unrestricted equity in the future. See also "*Information on Valmet – Valmet's Shares and Share Capital – Dividends and Dividend Policy*".

Interests of certain large shareholders of Valmet and Neles or the Combined Company may differ from those of other shareholders.

Shareholders holding on August 30, 2021 in aggregate approximately 16.9 percent of the outstanding shares and votes carried by the outstanding shares in Valmet, including Solidium Oy ("**Solidium**"), Ilmarinen Mutual Pension Insurance Company ("**Ilmarinen**"), Elo Mutual Pension Insurance Company ("**Elo**") and Varma Mutual Pension Insurance Company ("**Varma**"), and shareholders holding on August 30, 2021 in aggregate approximately 15.4 percent of the outstanding shares and votes carried by the outstanding shares in Neles, including Cevian Capital Partners Limited ("**Cevian**"), Ilmarinen, Elo and Varma, have subject to certain customary conditions irrevocably undertaken to attend the respective EGMs of Valmet and Neles and to vote in favor of the Merger. In addition, Alfa Laval Ab (publ) held on August 30, 2021 approximately 8.5 percent of the outstanding shares and votes carried by the outstanding shares in Neles. Assuming that the Merger is completed and Solidium, Ilmarinen, Cevian, Alfa Laval Ab (publ), Elo and/or Varma would continue to be the Combined Company's largest shareholders, there can be no assurance that their interests will be in line with each other or with those of the other shareholders of the Combined Company, which could result in the Combined Company's governance being viewed negatively. The likelihood of change of control transactions, such as a public tender offer for shares in the Combined Company, or other corporate transactions concerning the Combined Company taking place would also be dependent on the largest shareholders. These factors could negatively affect the market price of the Shares.

In addition, Solidium, Ilmarinen, Cevian, Elo and Varma have agreed, subject to certain customary conditions, among others, not to sell Valmet's and Neles' shares, respectively, for a period up until completion of the respective EGMs of Valmet and Neles. If said shareholders or another major shareholder were to sell a larger amount of Valmet's or Neles' shares after the respective EGMs, this may negatively affect the market price of the Shares.

The issue of additional Shares may dilute all other shareholdings.

Future issuances of Shares or other securities may dilute the holdings of shareholders and could adversely affect the market price of the Shares. The Combined Company may issue additional Shares or securities convertible into Shares through directed offerings without pre-emptive subscription rights for existing holders in connection with future acquisitions, any Share incentive or Share option plan or otherwise. Any such additional offering could reduce the proportionate ownership and voting interests of shareholders, as well as the earnings per Share and the net asset value per Share.

Holders of Shares registered in custodial nominee accounts may not be able to exercise their voting rights.

Beneficial owners of Shares that are registered in a custodial nominee account may not be able to exercise their voting rights, unless their ownership is re-registered in their names with Euroclear Finland prior to the General Meeting of the Combined Company. There can be no assurance that beneficial owners of Shares in the Combined Company will receive the notice for a General Meeting in time to instruct their nominees to either effect a re-registration of their Shares or otherwise vote their Shares in the manner desired by such beneficial owners. See "*Shareholder Rights – General Meeting*".

Certain foreign shareholders may not necessarily be able to exercise their pre-emptive subscription rights and any change in the exchange rate may affect the investor's return on an investment.

Certain shareholders resident in or with a registered address in certain jurisdictions other than Finland, including shareholders in the United States, may not necessarily be able to exercise their pre-emptive subscription rights in respect of the Shares, including Merger Consideration Shares, in any possible future offerings. The pre-emptive subscription rights may not necessarily be used unless the Shares have been registered in accordance with any applicable securities laws of any relevant jurisdictions or in any other manner with similar effects, or are subject to any exemptions from any registration or similar requirements under the applicable laws of the respective jurisdictions. In such cases, shareholders who cannot exercise their pre-emptive subscription rights may experience dilution of their holdings in the Combined Company. The number of shareholders who cannot exercise their pre-emptive subscription rights may be significant. If the pre-emptive subscription rights of such shareholders are sold on the market, this could have a material adverse effect on the price of the subscription rights. See "*Shareholder Rights – Pre-emptive Subscription Rights*". In addition, certain shareholders may be subjected to other restrictions regarding their shareholding, including participation in General Meetings or selling their Shares. A foreign shareholder's right to have access to information concerning share issues and important transactions may also be restricted due to the legislation of the country in question. The tax treatment of certain shareholders relating to the Merger Consideration Shares or other Shares may differ from Finland's tax legislation, see "*Taxation*".

In addition, any change in the exchange rate between the euro and non-euro investor's functional currency may affect the investor's return on an investment in Shares in the Combined Company. The value of dividends and other distributions paid in euro and the value of Shares in the Combined Company quoted on Nasdaq Helsinki in euro could increase or decline as a result.

COMPANIES, BOARDS OF DIRECTORS, AUDITORS AND ADVISERS

Recipient Company

Valmet Oyj
Keilasatama 5
FI-02150 Espoo, Finland

Board of Directors of Valmet

Name	**Position**
Mikael Mäkinen	Chairman of the Board of Directors
Aaro Cantell	Vice Chairman of the Board of Directors
Pekka Kemppainen	Member of the Board of Directors
Per Lindberg	Member of the Board of Directors
Monika Maurer	Member of the Board of Directors
Eriikka Söderström	Member of the Board of Directors
Tarja Tyni	Member of the Board of Directors
Rogério Ziviani	Member of the Board of Directors

The business address of all members of the Board of Directors is c/o Valmet Oyj, Keilasatama 5, FI-02150 Espoo, Finland.

Auditor of Valmet

PricewaterhouseCoopers Oy
Itämerentori 2
FI-00180 Helsinki, Finland
Auditor in charge: Pasi Karppinen
Authorized Public Accountant

Financial Advisers to Valmet

Nordea Bank Abp
Satamaradankatu 5
FI-00020 Nordea, Finland

Bank of America Europe Designated Activity Company, Stockholm Branch
Regeringsgatan 59
SE-111 56 Stockholm, Sweden

Legal Advisers to Valmet

In relation to Finnish law:
Hannes Snellman Attorneys Ltd
Eteläesplanadi 20
FI-00130 Helsinki, Finland

In relation to U.S. Securities law:
Skadden, Arps, Slate, Meagher & Flom (UK) LLP
40 Bank Street, Canary Wharf, London E14 5DS
United Kingdom

Merging Company

Neles Corporation
Vanha Porvoontie 229
FI-01380 Vantaa, Finland

Board of Directors of Neles

Name	Position
Jaakko Eskola	Chair of the Board of Directors
Anu Hämäläinen	Vice Chair of the Board of Directors
Niko Pakalén	Member of the Board of Directors
Teija Sarajärvi	Member of the Board of Directors
Jukka Tiitinen	Member of the Board of Directors
Mark Vernon	Member of the Board of Directors

The business address of all members of the Board of Directors is Vanha Porvoontie 229, FI-01380 Vantaa, Finland.

Auditor of Neles

Ernst & Young Oy
Alvar Aallon katu 5 C
FI-00100 Helsinki, Finland
Auditor in charge: Toni Halonen
Authorized Public Accountant

Financial Advisers to Neles

Morgan Stanley & Co. International plc
20 Bank Street, London E14 4AD
United Kingdom

Access Partners Oy
Eteläesplanadi 2A, 3rd floor
FI-00131 Helsinki

Legal Advisers to Neles

In relation to Finnish law:
Roschier, Attorneys Ltd.
Kasarmikatu 21 A
FI-00130 Helsinki, Finland

In relation to U.S. law:
Freshfields Bruckhaus Deringer LLP
100 Bishopsgate, London EC2P 2SR
United Kingdom

CERTAIN MATTERS

Statement Regarding Information in the Merger Prospectus

Valmet is responsible for the information included in this Merger Prospectus (excluding the information about Neles as set out below) and declares that information presented in this Merger Prospectus is, to the best knowledge of Valmet, in accordance with the facts and that the Merger Prospectus makes no omission likely to affect its import.

Neles is responsible for the information included in this Merger Prospectus in sections "*Information on Neles*", "*Selected Consolidated Financial Information – Selected Consolidated Financial Information of Neles*" and "*Annex B: Articles of Association of Neles Oyj*" and information specifically concerning Neles in the sections "*Summary",* "*Risk Factors*", "*Companies, Boards of Directors, Auditors and Advisers*", "*Certain Matters*", "*Certain Important Dates*", "*Merger of Valmet and Neles*", "*Information on the Combined Company*", "*Unaudited Pro Forma Financial Information*", "*Shareholder Rights*", "*Taxation*" and "*Annex D: Merger Plan*" and declares that the information contained in those parts of the Merger Prospectus for which it is responsible for is, to the best knowledge of Neles, in accordance with the facts and that those parts of the Merger Prospectus make no omission likely to affect its import.

September 2, 2021

Valmet Oyj　　　　　Neles Corporation

Forward-Looking Statements

This Merger Prospectus includes forward-looking statements. Such statements are not necessarily based on historical facts, but they are statements concerning future expectations. Forward-looking statements have been set forth in several parts of this Merger Prospectus, such as under sections "*Summary*", "*Risk Factors*", "*Information on the Combined Company*", "*Information on Valmet*", "*Information on Neles*" as well as in other such parts of this Merger Prospectus which contain information on the Combined Company's business-related future results, plans and expectations, including its strategic plans, plans on future growth and profitability, and general financial situation. Such statements are based on perceptions and assumptions of the management of Valmet and Neles and information currently available for the management of Valmet and Neles, and thus such statements may be considered as forward-looking statements. Among others, statements that include the words "believe", "expect", "anticipate", "intend", "plan", "estimate", "assume", "may", "aim", "could" or other similar verbs or expressions may be considered as forward-looking statements. Other forward-looking statements can be identified from the context in which such statements have been made.

These forward-looking statements are being based on certain plans, estimates, forecasts and expectations that are currently justifiable but may turn out to be incorrect and that are often associated with risks and factors of uncertainty. Shareholders should not rely on these forward-looking statements. Numerous factors of uncertainty may cause the Combined Company's actual results of operations or its financial position to differ materially from the results of operations or financial position that are expressly described in or may be concluded from the forward-looking statements included in this Merger Prospectus.

Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, level of performance or achievements of the Combined Company, or industry results, to differ even materially from any future results, performance or achievements expressed or implied by such forward-looking statements. These risks, uncertainties and other factors are included in the section titled "*Risk Factors*" in this Merger Prospectus. The aforesaid list is not exhaustive and new risks may emerge from time to time. Should one or more of these or other risks or uncertainties materialize, or should any underlying assumptions prove to be incorrect, the Combined Company's actual results of operations or financial position could differ materially from what has been described as expected, believed, estimated or anticipated in this Merger Prospectus.

Availability of the Merger Prospectus

The Finnish Merger Prospectus, this Merger Prospectus and the Swedish translation of the summary of the Merger Prospectus will be available starting on or about September 2, 2021 on Valmet's website at www.valmet.com/merger and on Neles' website at www.neles.com/merger. Furthermore, the Finnish Merger Prospectus and this Merger Prospectus will be available starting on or about September 7, 2021 at Valmet's registered office at Keilasatama 5, FI-02150 Espoo, Finland and at Neles' registered office at Vanha Porvoontie 229, FI-01380 Vantaa, Finland. In addition, the Finnish Merger Prospectus will be available starting on or about September 7, 2021 at the reception of Nasdaq Helsinki at Fabianinkatu 14, FI-00100 Helsinki, Finland.

Presentation of Financial and Certain Other Information

Historical Financial Information of Valmet

The financial information of Valmet included in this Merger Prospectus has been derived from Valmet's audited consolidated financial statements as at and for the year ended December 31, 2020 prepared in accordance with IFRS as adopted by the EU and Valmet's unaudited consolidated half-year financial report as at and for the six months ended June 30, 2021 prepared in accordance with "IAS 34 – Interim Financial Reporting", including the unaudited comparative financial information for the six months ended June 30, 2020, both of which are incorporated by reference into this Merger Prospectus.

Historical Financial Information of Neles

The financial information of Neles included in this Merger Prospectus has been derived from Neles' audited consolidated financial statements as at and for the year ended December 31, 2020 prepared in accordance with IFRS as adopted by the EU and Neles' unaudited consolidated half-year financial report as at and for the six months ended June 30, 2021 prepared in accordance with "IAS 34 – Interim Financial Reporting", including the unaudited comparative financial information for the six months ended June 30, 2020, both of which are incorporated by reference into this Merger Prospectus. Until June 30, 2020, Neles was part of the Metso Group.

Pro Forma Information

The Pro Forma Information is presented for illustrative purposes only to give effect to the Merger of Valmet and Neles to Valmet's financial information as if the Merger had been completed at an earlier date. The pro forma statements of income for the six months ended June 30, 2021 and for the year ended December 31, 2020 give effect to the Merger as if it had occurred on January 1, 2020. The pro forma statement of financial position as at June 30, 2021 gives effect to the Merger as if it had occurred on that date. The Pro Forma Information is unaudited.

The Pro Forma Information has been compiled in accordance with the Annex 20 to the Commission Delegated Regulation (EU) 2019/980 and on a basis consistent with the accounting principles applied by Valmet in its consolidated financial statements prepared in accordance with IFRS. The Pro Forma Information has not been compiled in accordance with Article 11 of Regulation S-X under the U.S. Securities Act or the guidelines established by the American Institute of Certified Public Accountants.

The Pro Forma Information reflects adjustments to the historical financial information to give pro forma effect to events that are directly attributable to the Merger and are factually supportable. The pro forma adjustments include certain assumptions related to the fair value of the purchase consideration, the fair valuation of the net assets acquired, accounting policy alignments, financing arrangements and other events related to the Merger, that the management believes are reasonable under the circumstances. Considering the ongoing regulatory approval processes which restrict Valmet's access to detailed data of Neles and the fact that the final accounting measures of the Merger can only be done at the Effective Date, the pro forma adjustments presented are preliminary and based on information available at this time. The Pro Forma Information is subject to change, among others, due to the final fair value of the Merger consideration and Valmet's previously held equity interest in Neles being determined based on the then-current fair value of Valmet's share as at the Effective Date and the final purchase price allocation being based on the fair values of Neles' assets acquired and liabilities assumed as at the Effective Date. There can be no assurance that the assumptions used in the preparation of the Pro Forma Information will prove to be correct and the final impact of the Merger at the Effective Date to the financial information of Valmet may materially differ from the pro forma adjustments reflected in the Pro Forma Information.

The hypothetical financial position and results included in the Pro Forma Information may differ from the Combined Company's actual financial position and results. Further, the Pro Forma Information does not purport to project the financial position or results of the Combined Company as of any future date. The Pro Forma Information does not include all information required to be included in financial statements prepared in accordance with IFRS and they should be read together with the historical financial information of Valmet and Neles incorporated by reference into this Merger Prospectus. See also "*Unaudited Pro Forma Financial Information*" and "*Risk Factors – Risks Related to the Merger – The Pro Forma Information in this Merger Prospectus is presented for illustrative purposes only and may differ materially from the Combined Company's actual results and financial position*".

Alternative Performance Measures

This Merger Prospectus includes certain performance measures of Valmet's and Neles' historical financial performance, financial position and cash flows, which, in accordance with the "Alternative Performance Measures" guidance issued by the European Securities and Markets Authority ("**ESMA**"), are not accounting measures defined or specified in IFRS, and therefore are considered as alternative performance measures.

Valmet presents the following alternative performance measures:

- Net sales change, %
- Operating profit
- Operating profit, % of net sales
- Profit before taxes, % of net sales
- Profit for the period, % of net sales
- EBITA
- EBITA, % of net sales
- Comparable EBITA
- Comparable EBITA, % of net sales
- Interest-bearing liabilities
- Net interest-bearing liabilities
- Net working capital (NWC)
- Return on equity (ROE), %
- Return on capital employed (ROCE) before taxes, %
- Comparable return on capital employed (ROCE) before taxes, %
- Items affecting comparability
- Equity to assets ratio, %
- Gearing, %
- Gross capital expenditure (excl. business combinations and leased assets)
- Cash flow after investments
- Business combinations, net of cash acquired and loans repaid
- Investments in associated companies

Neles presents the following alternative performance measures:

- Operating profit
- Operating profit, % of sales
- EBITA
- EBITA, % of sales
- EBITA, adjusted
- EBITA, adjusted, % of sales
- EBITDA
- EBITDA, % of sales
- EBITDA, adjusted
- EBITDA, adjusted, % of sales
- Gross capital expenditure
- Net capital expenditure
- Net working capital (NWC)
- Capital employed
- Return on equity (ROE), %
- Return on capital employed (ROCE) before taxes, %
- Return on capital employed (ROCE) after taxes, %
- Equity to asset ratio, %
- Debt to capital, %
- Free cash flow
- Cash conversion, %
- Interest bearing liabilities
- Net interest bearing liabilities
- Gearing %
- Net debt/EBITDA

Valmet and Neles present the alternative performance measures as additional information to the financial measures presented in the consolidated statement of income, consolidated statement of financial position, consolidated statement of cash flows, and the notes to the consolidated financial statements, all prepared in accordance with IFRS. In Valmet's and Neles' view, alternative performance measures provide management, investors, securities market analysts, and other parties with relevant and useful additional information on the results of operations, financial position, and cash flows of Valmet and Neles. For the detailed definitions and reconciliation of alternative performance measures, see "*Selected Consolidated Financial Information – Selected Consolidated Financial Information of Valmet*" and "*Selected Consolidated Financial Information – Selected Consolidated Financial Information of Neles*".

Valmet presents comparable EBITA and comparable EBITA as a percentage of net sales, *i.e.* with EBITA excluding certain items of income and expense that reduce the comparability of the Valmet Group's performance from one period to another. Net sales change percentage, EBITA, EBITA as a percentage of net sales, operating profit, operating profit as a percentage of net sales, profit before taxes as a percentage of net sales, profit for the period as a percentage of net sales, return on equity (ROE), return on capital employed (ROCE) before taxes, comparable return on capital employed (ROCE) before taxes, are presented as complementing measures to the measures included in the consolidated statement of income, as Valmet's management believes they enhance the understanding of Valmet Group's financial performance and relative profitability. Interest-bearing liabilities, net interest-bearing liabilities, gearing, equity to assets ratio and net working capital are presented as complementing measures as they enhance the understanding of the Valmet Group's indebtedness, liquidity and ability to obtain financing and repay its debts. Gross capital expenditure (excl. business combinations and leased assets), cash flow after investments and business combinations, net of cash acquired and loans repaid, investments in associated companies also provide additional information on the cash flows of Valmet.

In general, Neles uses several alternative performance measures to reflect the underlying business performance and to improve comparability between financial periods. Neles presents adjusted EBITA and adjusted EBITA as a percentage of sales, adjusted EBITDA and adjusted EBITDA as a percentage of sales to improve the comparability of Neles' performance from one period to another by excluding from EBITA or EBITDA certain non-recurring items of expense

(Adjusting items). Neles' adjusting items comprise of costs related to the demerger and setting up Neles business area as an independent company, capacity adjustment costs, outcome of material intellectual property rights disputes, gains and losses on business disposals, costs related to business acquisitions, and other events outside Neles' normal course of business. EBITA, EBITA as a percentage of sales, operating profit, operating profit as a percentage of sales, profit before taxes as a percentage of sales, profit for the period as a percentage of sales, capital employed, return on equity (ROE), return on capital employed (ROCE) before taxes, return on capital employed (ROCE) after taxes are presented to improve the analysis of Neles' operative and financial performance, relative profitability and financial position. Interest bearing liabilities, net interest bearing liabilities, debt to capital, net debt/ EBITDA, equity to asset ratio, gearing and cash conversion are presented to enhance the understanding of Neles' indebtedness, liquidity and ability to obtain financing and repay its debts. Gross / net capital expenditures, net working capital, free cash flow and are presented to give additional information on the Neles'cash flow elements.

Alternative performance measures should not be viewed in isolation or as a substitute to the IFRS financial measures and they are not accounting measures defined or specified in IFRS. All companies do not calculate alternative performance measures in a uniform way, and therefore, the alternative performance measures presented in this Merger Prospectus may not be comparable with similarly named measures presented by other companies.

Unless otherwise stated, the alternative performance measures are unaudited.

Rounding

The figures presented in this Merger Prospectus, including the financial information, have been subject to rounding. Accordingly, in certain instances, the sum of the numbers in a column or row in tables may not conform exactly to the total figure given for that column or row. In addition, certain percentages presented in this Merger Prospectus reflect calculations based upon the underlying information prior to rounding and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

Currencies

As used herein, references to (i) "euro" or "EUR" are to the euro, the lawful currency of the participating member states in the Third Stage of the European and Monetary Union of the Treaty Establishing the European Community, (ii) "U.S. dollar" or "USD" are to the United States dollar, the lawful currency of the United States of America, (iii) "Swedish krona" or "SEK" are to the Swedish krona, the lawful currency of Sweden, (iv) "Chinese yuan" or "CNY" are to the Chinese yuan, the lawful currency of the People's Republic of China and (v) "Brazilian real" or "BRL" are to the Brazilian real, the lawful currency of Brazil. For information regarding recent rates of exchange between the euro and the U.S. dollar, Swedish krona, Chinese yuan and Brazilian real, see "*Exchange Rates*".

Market, Economic, and Industry Data and Management Reports and Findings

This Merger Prospectus contains estimates regarding the markets and industries in which Valmet and Neles operate as well as their competitive positions therein. Such estimates cannot be gathered from publications by market research institutions or any other independent sources. In many cases, there is no publicly available information on such data, for example from industry associations, public authorities or other organizations and institutions. Valmet and Neles believe that their internal estimates of market data and information derived therefrom and included in this Merger Prospectus are helpful in order to give investors a better understanding of the industries in which Valmet and Neles operate as well as their positions therein. Although Valmet and Neles believe that their internal market estimates are fair, they have not been reviewed or verified by any external experts and Valmet and Neles cannot guarantee that a third-party expert using different methods would obtain or generate the same results.

Information Derived from Third Party Sources

Where certain information contained in this Merger Prospectus concerning Valmet has been derived from a third-party source, such a source has been identified herein. Valmet confirms that such third-party information (with the exception of information concerning Neles, as stated above in section "*– Statement Regarding Information in the Merger Prospectus*") has been accurately reproduced in the Merger Prospectus and that as far as Valmet is aware and has been able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information misleading or inaccurate.

Where certain information contained in this Merger Prospectus concerning Neles has been derived from a third-party source, such a source has been identified herein. Neles confirms that such third-party information (with the exception of information concerning Valmet, as stated above in section "*– Statement Regarding Information in the Merger Prospectus*") has been accurately reproduced in the Merger Prospectus and that as far as Neles is aware and has been able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information misleading or inaccurate.

Website Information

Valmet and Neles will publish this Merger Prospectus and any supplements thereto on their websites. The contents of Valmet's and Neles' websites or any other website do not form part of this Merger Prospectus, and prospective investors should not rely on such information in making their decision to invest in securities. As an exception from the above, the information incorporated by reference into the Merger Prospectus, which is available at Valmet's and Neles' websites, as well as any supplements to the Merger Prospectus to be published on the aforementioned websites, are a part of the Merger Prospectus.

Notice to Shareholders in the United States

NEITHER THE MERGER CONSIDERATION SHARES NOR ANY OTHER SECURITIES REFERENCED IN THIS MERGER PROSPECTUS HAVE BEEN OR WILL BE REGISTERED UNDER THE U.S. SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND AS SUCH NEITHER THE MERGER CONSIDERATION SHARES NOR ANY OTHER SECURITIES REFERENCED IN THIS MERGER PROSPECTUS MAY BE OFFERED, SOLD OR DELIVERED, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES EXCEPT PURSUANT TO AN APPLICABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, REGISTRATION UNDER THE U.S. SECURITIES ACT AND IN COMPLIANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THIS MERGER PROSPECTUS IS NEITHER AN OFFER TO SELL NOR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES AND SHALL NOT CONSTITUTE AN OFFER, SOLICITATION OR SALE IN THE UNITED STATES.

This Merger Prospectus must not be released or otherwise forwarded, distributed or sent, directly or indirectly, in whole or in part, in or into the United States or any jurisdiction where the distribution of these materials would breach any applicable law or regulation or would require any registration or licensing within such jurisdiction. Failure to comply with the foregoing limitation may result in a violation of the U.S. Securities Act or other applicable securities laws.

Any financial statements or other financial information included in this Merger Prospectus may have been prepared in accordance with the IFRS or other standards and may not be comparable to the financial statements of U.S. companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States. Neles' shareholders should be aware that Valmet may purchase Neles' shares otherwise than under the Merger, such as in open market or privately negotiated purchases, at any time during the pendency of the proposed Merger.

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER U.S. FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY HAS APPROVED OR DISAPPROVED THE MERGER CONSIDERATION SHARES OR PASSED AN OPINION UPON THE FAIRNESS OR MERITS OF SUCH SECURITIES OR UPON THE ACCURACY OR ADEQUACY OF THE DISCLOSURES CONTAINED IN THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

Notice to Shareholders in the United Kingdom

This Merger Prospectus is for distribution only to, and is only directed at, persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "**Financial Promotion Order**"), (ii) are persons falling within Article 43 of the Financial Promotion Order (for example as shareholders in Neles entitled to receive the Merger Consideration Shares pursuant to the Finnish Companies Act), (iii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order, (iv) are outside the United Kingdom, or (v) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000, as amended) in connection with the issue or sale of the Merger Consideration Shares may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "**Relevant Persons**"). This Merger Prospectus is directed only at Relevant Persons and must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which this document relates is available only to Relevant Persons and will be engaged in only with Relevant Persons.

Notice to Shareholders in the European Economic Area

This Merger Prospectus has been prepared on the basis that any offer of the Merger Consideration Shares in any Member State of the European Economic Area ("**EEA**") other than offers (the "**Permitted Public Offers**") which are made prior to the Effective Date, and which are contemplated in the Merger Prospectus in Finland once the Finnish Merger Prospectus has been approved by the competent authority in Finland and published in accordance with the Prospectus Regulation, and in respect of which Valmet has consented in writing to the use of the Merger Prospectus, will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of the Merger

Consideration Shares. Accordingly, any person making or intending to make an offer in that Member State of the Merger Consideration Shares which are the subject of the offer contemplated in this Merger Prospectus, other than the Permitted Public Offers, may only do so in circumstances in which no obligation arises for Valmet to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation, in each case, in relation to such offer. Valmet has not authorized, nor does it authorize, the making of any offer (other than Permitted Public Offers) of the Merger Consideration Shares in circumstances in which an obligation arises for Valmet to publish or supplement a prospectus for such offer.

In relation to each Member State of the EEA with effect from and including July 21, 2019 (the "**Prospectus Regulation Applicability Date**") no offer has been made and will not be made (other than a Permitted Public Offer) of the Merger Consideration Shares which are the subject of the offering contemplated by this Merger Prospectus to the public in that Member State, except that, with effect from and including the Prospectus Regulation Applicability Date, an offer of such Merger Consideration Shares is made to the public in that Member State:

a) to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) as permitted under the Prospectus Regulation, subject to obtaining the prior consent of Valmet for any such offer; or

c) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no offer of the Merger Consideration Shares is made which would require Valmet to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

In this section, the expression an offer of the Merger Consideration Shares to the public in relation to any Merger Consideration Shares in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Merger Consideration Shares to be offered so as to enable an investor to decide to purchase or subscribe to the Merger Consideration Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Regulation in that Member State.

The expression "**Prospectus Regulation**" means Regulation (EU) 2017/1129 (as amended), and includes any relevant implementing measure in the EEA Member State concerned.

CERTAIN IMPORTANT DATES

July 2, 2021	Signing of the Combination Agreement and the Merger Plan and announcement of the Merger
August 9, 2021	Notice of the EGM of Valmet
August 9, 2021	Notice of the EGM of Neles
August 13, 2021 at 10:00 a.m.	Registration for Valmet’s EGM and advance voting began
August 13, 2021 at 10:00 a.m.	Registration for Neles’ EGM and advance voting began
September 2, 2021 (as estimated)	Merger Prospectus available
September 8, 2021 at 10:00 a.m.	Deadline for questions for Valmet’s shareholders
September 8, 2021 at 10:00 a.m.	Deadline for questions for Neles’ shareholders
September 10, 2021	Record date of the EGM of Valmet
September 10, 2021	Record date of the EGM of Neles
September 13, 2021	Valmet’s shareholders questions and management’s answers available on Valmet’s website
September 13, 2021	Neles’ shareholders questions and management’s answers available on Neles’ website
September 16, 2021 at 4:00 p.m.	Registration for Valmet’s EGM and advance voting ends
September 16, 2021 at 4:00 p.m.	Registration for Neles’ EGM and advance voting ends
September 17, 2021 at 10:00 a.m.	The last day for the holders of nominee registered shares to become registered in the temporary shareholders’ register maintained by Euroclear Finland in order to obtain the right to participate in the EGM of Valmet
September 17, 2021 at 10:00 a.m.	The last day for the holders of nominee registered shares to become registered in the temporary shareholders’ register maintained by Euroclear Finland in order to obtain the right to participate in the EGM of Neles
September 22, 2021 at 10:00 a.m.	EGM of Neles
September 22, 2021 at 2:00 p.m.	EGM of Valmet
January 1, 2022 (as estimated)	Planned Effective Date (provided that the conditions for the execution of the Merger are fulfilled)
January 3, 2022 (as estimated)	Merger Consideration Shares registered in the book-entry accounts of the shareholders of Neles (provided that the Effective Date is January 1, 2022)
January 3, 2022 at 10:00 a.m. (as estimated)	Trading in the Merger Consideration Shares commences on the official list of Nasdaq Helsinki (provided that the Effective Date is January 1, 2022)

EXCHANGE RATES

The following table presents the average, high, low, and period-end reference rates as published by the European Central Bank for the U.S. dollar ("**USD**") per EUR as at the dates and for the periods indicated:

	Reference rates of USD per euro			
	Average	**High**	**Low**	**Period-End**
2019	1.1195	1.1535	1.0889	1.1234
2020	1.1422	1.2281	1.0707	1.2271
2021 (through August 30, 2021)	1.1988	1.2338	1.1671	1.1801

The following table presents the average, high, low, and period-end reference rates as published by the European Central Bank for the Swedish krona ("**SEK**") per EUR as at the dates and for the periods indicated:

	Reference rates of SEK per euro			
	Average	**High**	**Low**	**Period-End**
2019	10.5891	10.9173	10.1855	10.4468
2020	10.4848	11.1523	10.0343	10.0343
2021 (through August 30, 2021)	10.1504	10.3263	10.0315	10.1813

The following table presents the average, high, low, and period-end reference rates as published by the European Central Bank for the Chinese yuan ("**CNY**") per EUR as at the dates and for the periods indicated:

	Reference rates of CNY per euro			
	Average	**High**	**Low**	**Period-End**
2019	7.7355	7.9519	7.4991	7.8205
2020	7.8747	8.2637	7.5538	8.0225
2021 (through August 30, 2021)	7.7559	7.9653	7.5854	7.6347

The following table presents the average, high, low, and period-end reference rates as published by the European Central Bank for the Brazilian real ("**BRL**") per EUR as at the dates and for the periods indicated:

	Reference rates of BRL per euro			
	Average	**High**	**Low**	**Period-End**
2019	4.4134	4.6915	4.1771	4.5157
2020	5.8943	6.7680	4.4870	6.3735
2021 (through August 30, 2021)	6.4013	6.9553	5.8635	6.1529

The above rates are provided solely for the convenience of the reader and are not necessarily the rates used in the preparation of Valmet's or Neles' financial statements and financial statement information. No representation is made that the euros could have been converted into U.S. dollars, Swedish kronas, Chinese yuans or Brazilian reals at the rates shown or any other rate at such dates or during such periods.

MERGER OF VALMET AND NELES

The following review provides a general overview of the Merger and the Combined Company and is based on, among others, the assumption that the Merger and the combination of Valmet's and Neles' business operations will be implemented in the manner and within the timetable planned in this Merger Prospectus. However, there are no guarantees that the Merger will be executed or that Valmet's and Neles' business operations will be combined in the manner and within the timetable laid out in this Merger Prospectus, either of which could result in any statement on the Combined Company below being unfulfilled. See "Risk Factors – Risks Related to the Merger".

Background for the Merger

On July 2, 2021, the Boards of Directors of Valmet and Neles agreed upon the combination of the two companies by signing the Combination Agreement and the Merger Plan, according to which Neles shall be merged into Valmet through a statutory absorption merger in accordance with the Finnish Companies Act whereby all assets and liabilities of Neles shall be transferred without a liquidation procedure to Valmet. Summaries of the Combination Agreement and the Merger Plan are presented below in the sections "*– Combination Agreement*" and "*– Merger Plan*". The Merger Plan is attached to this Merger Prospectus as Annex D.

The rationale for the combination of Valmet and Neles and the financial grounds are described below in the section "*Information on the Combined Company*".

Overview of the Merger

The proposed Merger will be completed through a statutory absorption merger of Neles into Valmet in accordance with the provisions of Chapter 16 of the Finnish Companies Act. In the Merger, all assets and liabilities of Neles will be transferred without a liquidation procedure to Valmet and, as a result of the completion of the Merger, Neles shall automatically dissolve.

The shareholders of Neles shall, with the exception of those Neles' shareholders who demand the redemption of his/her/their shares at the EGM of Neles resolving on the Merger, receive as Merger Consideration 0.3277 new shares of Valmet for each share owned in Neles, that is, the Merger Consideration shall be issued to the shareholders of Neles in proportion to their existing shareholding with a ratio of 0.3277:1. Based on the situation on the date of this Merger Prospectus, the total number of Merger Consideration Shares is expected to be 34,664,986 shares excluding shares held by Valmet in Neles as well as treasury shares held by Neles and assuming that none of Neles' shareholders demands redemption of his/her/their shares at the EGM of Neles resolving on the Merger. The exchange ratio of the Merger Consideration Shares has been agreed in the Combination Agreement and the Merger Plan and will not be adjusted to reflect potential fluctuations in the market price of the shares in Valmet or Neles. See also "*Risk Factors – Risks Related to the Merger – The exchange ratio of the Merger Consideration Shares has been agreed in the Combination Agreement and the Merger Plan and will not be adjusted to reflect potential fluctuations in the market price of the shares in Valmet or Neles*".

Pursuant to the Merger Plan, Neles may distribute to its shareholders the Extra Distribution to Neles Shareholders. Valmet and Neles have preliminarily agreed that the part of the potential extra distribution of funds that would be paid to Valmet would not be paid in cash but would remain as a dividend liability, which would be extinguished in the Merger. See also "*Unaudited Pro Forma Financial Information – Basis of Compilation – Combination of Valmet and Neles through the Merger*".

The Boards of Directors of Valmet and Neles have on August 9, 2021 proposed that the EGMs of Valmet and Neles convened to be held on September 22, 2021 would resolve upon the Merger as set forth in the Merger Plan.

The completion of the Merger is subject to, among others, approval by the EGMs of Valmet and Neles, obtaining necessary merger control approvals by the relevant competition authorities and the fulfilment of other conditions to completion of the Merger set forth in the Combination Agreement and the Merger Plan or waiver of such conditions. Furthermore, it is required for the completion of the Merger that the Combination Agreement has not been terminated in accordance with its provisions, and that the execution of the Merger is registered with the Finnish Trade Register. Information on the conditions to the completion of the Merger included in the Combination Agreement and the Merger Plan is presented below in section "*– Combination Agreement – Conditions to the Completion of the Merger*" and in the Merger Plan, which is attached to this Merger Prospectus as Annex D.

Additionally, as presented in the Merger Plan, the Board of Directors of Valmet has proposed to the EGM of Valmet to be held on September 22, 2021 that the EGM makes certain decisions related to the Merger in accordance with the Merger Plan, including decisions concerning the number, election and remuneration of the members of the Board of Directors of Valmet conditionally upon the completion of the Merger.

The planned Effective Date is January 1, 2022 (effective registration time approximately at 00:01), however, subject to the fulfilment of the preconditions in accordance with the Finnish Companies Act and the conditions for executing the Merger included in the Combination Agreement and the Merger Plan. The planned Effective Date may change, and the actual Effective Date may be earlier or later than the above-mentioned date. The Effective Date may change if, among other things, the execution of measures described in the Merger Plan takes a shorter or longer time than what is currently estimated, or if circumstances related to the Merger otherwise necessitate a change in the time schedule or if the Boards of Directors of Valmet and Neles jointly resolve to file the Merger to be registered prior to, or after, the planned registration date.

In accordance with the Finnish Companies Act, once the Merger has been completed, the Board of Directors of Neles will call Neles' shareholders to a shareholders' meeting to approve Neles' final accounts.

Valmet and Neles have received a binding written confirmation from the Large Taxpayers' Office confirming that the Merger will be treated as a tax neutral merger in accordance with Section 52 a of the Finnish Business Income Tax Act (360/1968, as amended).

Fairness Opinions

The Board of Directors of Neles has concluded that the consideration being paid in connection with the transaction is fair from a financial point of view to the shareholders of Neles. The Board of Directors of Neles made its assessment after taking into account several factors. The Board of Directors of Neles has received on July 2, 2021 two independent fairness opinions from Neles' financial advisors Morgan Stanley and Access Partners. In providing their fairness opinions, the financial advisors took into account the commercial assessment of the Board of Directors of Neles.

The Board of Directors of Valmet has concluded that the Merger Consideration being paid by Valmet in connection with the Merger is fair, from a financial point of view, to Valmet. The Board of Directors of Valmet made its assessment after taking into account several factors including, but not limited to, the fairness opinion of Valmet's financial advisor, BofA Securities, delivered to the Board of Directors of Valmet on, and dated, July 1, 2021, to the effect that, as of the date of such fairness opinion, the Merger Consideration to be paid by Valmet (namely, each outstanding ordinary share of Neles, excluding those Neles shares held by Valmet, to be exchanged for 0.3277 ordinary shares of Valmet) was fair, from a financial point of view, to Valmet, which fairness opinion was based upon and subject to the assumptions made, procedures followed, matters considered and limitations and qualifications on the review undertaken as more fully described in such fairness opinion (recognizing, for the avoidance of doubt, that subject to the terms and conditions of the Combination Agreement, Neles shareholders will receive an extra distribution of funds in the amount of EUR 2.00 per share before the completion of the Merger). The fairness opinion of BofA Securities was provided for the use and benefit of the Board of Directors of Valmet (in its capacity as such).

Shareholder Support

Shareholders holding on August 30, 2021 in aggregate approximately 16.9 percent of the outstanding shares and votes carried by the outstanding shares in Valmet, including Solidium, Ilmarinen, Elo and Varma, and shareholders holding on August 30, 2021 in aggregate approximately 15.4 percent of the outstanding shares and votes carried by the outstanding shares in Neles, including Cevian, Ilmarinen, Elo and Varma, have subject to certain customary conditions irrevocably undertaken to attend the respective EGMs of Valmet and Neles and to vote in favor of the Merger. Together with Valmet, the above-mentioned shareholders in Neles held on August 30, 2021 in aggregate approximately 45.0 percent of the outstanding shares and votes in Neles.

Financing

Information on the Combined Company's financing is presented in the section "*Information on the Combined Company – Financing*".

Proceeds of the Merger

There will be no proceeds accruing from the issuance of the Merger Consideration Shares to the Combined Company.

Combination Agreement

This summary is not an exhaustive presentation of the terms and conditions of the Combination Agreement. The summary aims to describe the terms and conditions of the Combination Agreement to the extent that such terms and conditions may materially affect a shareholder's assessment of the terms and conditions of the Merger. Nothing in the Combination Agreement (or this summary thereof) confers any rights or obligations on any person other than Valmet and Neles.

General

On July 2, 2021, the Boards of Directors of Valmet and Neles signed the Combination Agreement concerning the combination of the business operations according to which the two companies will merge. The proposed Merger will be completed through a statutory absorption merger of Valmet into Neles in accordance with the provisions of Chapter 16 of the Finnish Companies Act. As a result of the completion of the Merger, all assets and liabilities of Neles are transferred without a liquidation procedure to Valmet, and Neles shall dissolve automatically. More information on the conditions for the completion of the Merger is presented in "– *Conditions to the Completion of the Merger*".

Representations, Warranties and Undertakings

The Combination Agreement contains certain customary representations and warranties as well as undertakings, such as, inter alia, each party conducting its business in the ordinary course of business before the completion of the Merger, keeping the other party informed of any and all matters that may be of material relevance for the purposes of effecting the completion of the Merger, preparing the necessary regulatory filings and notifications in cooperation with the other party and cooperating with the other party in relation to the financing of the Combined Company and possible objections by Neles' creditors.

According to the Combination Agreement, Neles may at any time prior to the Effective Date of the Merger distribute to its shareholders an extra distribution of funds in the amount of up to EUR 2.00 per share, either as dividend or return of equity or a combination thereof. Additionally, if the completion of the Merger has not taken place prior to February 28, 2022, Valmet's Board of Directors and Neles' Board of Directors shall propose to their annual general meetings on a distribution of funds in accordance with their current dividend policy and past practice, however, not exceeding EUR 180 million in the case of Valmet and EUR 40 million in the case of Neles. Prior to the Effective Date of the Merger, Valmet may issue a maximum of 251,230 shares under its current share-based incentive plans. Neles' existing share-based incentive plans shall be settled in cash as further set out in the Combination Agreement. Share-based incentive plans of Valmet after the Merger shall be established following the completion of the Merger with earnings or discretionary periods starting from January 1, 2022.

In addition, Valmet and Neles each undertake not to solicit proposals competing with the transaction agreed in the Combination Agreement and to inform each other about a decision to engage in promoting measures with regard to a competing proposal, and if not prohibited under their fiduciary duties, to provide the other party a reasonable opportunity to negotiate with the Board of Directors of the contacted party about matters arising from the competing proposal. The companies' Boards of Directors may decide to recommend a competing proposal if the Board of Directors determines that the competing proposal is more favorable from a financial point of view to the shareholders compared to the Merger taking into account, as a whole, certain other aspects of the proposal as well. At the request of the other party the Board of Directors in question shall, however, always convene an EGM to resolve on the Merger pursuant to the Combination Agreement.

Moreover, Valmet and Neles have given each other certain customary representations and warranties related to, inter alia, the authority to enter into the Combination Agreement, due incorporation, status of the shares in the respective company, compliance with disclosure and reporting requirements, preparation and correctness of financial statements and interim reports, compliance with applicable licenses, laws and agreements, legal proceedings, ownership of intellectual property, taxes, employees and quality of the due diligence information provided to the other party as well as absence of a material adverse effect.

Conditions to the Completion of the Merger

The completion of the Merger is conditional upon the satisfaction or, to the extent permitted by applicable law, waiver of each of the conditions set forth below:

- the Merger having been duly approved by the EGM of Neles;
- shareholders of Neles representing no more than twenty (20) percent of all shares and votes in Neles having demanded the redemption of his/her/its shares in Neles pursuant to Chapter 16, Section 13 of the Finnish Companies Act;
- the Merger, the proposed amendments to the Articles of Association of Valmet, the number and election of the members of the Board of Directors (including the election of the Chairman and the Vice Chairman of the Board

of Directors) and the remuneration of the members of the Board of Directors (including remuneration of the members of the Audit Committee and the Remuneration and HR Committee of Valmet) of Valmet as set forth in the Merger Plan, as well as the issuance of the Merger Consideration Shares to the shareholders of Neles, having been duly approved by the EGM of Valmet;

- the Extra Distribution to Neles Shareholders having been authorized by the EGM of Neles and having been executed;
- if the completion of the Merger has not taken place prior to February 28, 2022, the distributions of funds to the shareholders of both Neles and Valmet, respectively, as defined in the Combination Agreement and referred to in the Merger Plan, other than the Extra Distribution to Neles Shareholders shall have been declared to the extent so resolved by the respective general meetings, and executed;
- the competition approvals, as defined in the Combination Agreement, having been obtained in accordance with the Combination Agreement;
- the regulatory approvals, as defined in the Combination Agreement, having been obtained in accordance with the Combination Agreement;
- Valmet having obtained from Nasdaq Helsinki written confirmations that the listing of the Merger Consideration Shares on the official list of Nasdaq Helsinki will take place on the Effective Date or as soon as possible thereafter;
- the financing required in connection with the Merger being available materially in accordance with the post-Merger financing arrangement of Valmet;
- no event of default under any arrangement in respect of financial indebtedness of either party having, as of the signing date of the Combination Agreement, an outstanding principal amount of no less than EUR 180 million in respect of Neles and an outstanding principal amount of no less than EUR 440 million in respect of Valmet, having occurred and being continuing or being reasonably likely to occur as a result of the execution of the Merger, if such event of default would, in the opinion of the other party acting in good faith and after consultation with the Board of Directors of the defaulting party, be reasonably expected to have a material adverse effect, as defined in the Combination Agreement, on the Valmet Group after the Merger;
- no event, circumstance or change having occurred on or after the date of the Combination Agreement that would have a material adverse effect, as defined in the Combination Agreement, in respect of the Neles group or of the Valmet Group or, the Valmet Group after the Merger;
- neither party not, on or after the date of the Combination Agreement, having received information on an event, circumstance or change having occurred prior to the date of the Combination Agreement and previously undisclosed to it that would have a material adverse effect, as defined in the Combination Agreement, in respect of the Neles Group or of the Valmet Group or, the Valmet Group after the Merger; and
- the Combination Agreement remaining in force and not having been terminated in accordance with its provisions.

Termination

The Combination Agreement shall automatically terminate upon consummation of the Merger on the Effective Date. The Combination Agreement may be terminated by mutual written consent duly authorized by the Boards of Directors of Valmet and Neles. Each of Valmet and Neles may terminate the Combination Agreement, inter alia, (i) if the Merger has not been completed by December 31, 2022, or, if Valmet and Neles jointly agree so, by a later date, however no later than March 31, 2023 (or it becomes evident, including, without limitation, due to a material adverse effect, as defined in the Combination Agreement, incapable of being cured, that the completion cannot take place by such date); (ii) if the EGMs of Valmet or Neles have not considered the Merger in accordance with the Combination Agreement within 4 months of the registration of the Merger Plan or if, upon consideration by the relevant EGM, they shall have failed to duly approve the Merger or related resolutions; (iv) if any governmental entity (including any competition authority) gives an order or takes any regulatory action that is non-appealable and conclusively prohibits the completion of the Merger; or (v) in case of a breach by the other party of any of the representations and warranties under the Combination Agreement if such breach has resulted, or could reasonably be expected to result, in a material adverse effect, as described in the Combination Agreement. In the event the Combination Agreement is terminated due to a party’s failure to fulfil any undertaking or obligation under the Combination Agreement resulting in the failure of the completion of the Merger to occur by the long-stop date set out in (i) above, the parties have agreed on the payment of cost coverage of agreed amounts. Such reimbursement shall not exceed EUR 12 million in the aggregate, except that, in the event either party’s EGM rejects the Merger, such reimbursement (payable by the party whose EGM has rejected the Merger), shall not exceed EUR 8 million.

Costs and Expenses

Valmet and Neles shall bear their own fees, costs and expenses incurred in connection with the Merger.

Governing Law

The Combination Agreement is governed by and construed in accordance with Finnish law, excluding the application of its conflict of law rules.

Merger Plan

This summary is not an exhaustive presentation of all the terms and conditions of the Merger Plan. The summary aims to describe the terms and conditions of the Merger Plan to the extent that such terms and conditions may materially affect a shareholder's assessment of the terms and conditions of the Merger. Nothing in the Merger Plan (or this summary thereof) confers any rights or obligations on any person other than Valmet and Neles.

The Merger Plan is attached to this Merger Prospectus as Annex D. The Merger Plan with its appendices is available for review on Valmet's website at www.valmet.com/merger and on Neles' website at www.neles.com/merger and also at the registered office of Valmet at Keilasatama 5, FI-02150 Espoo, Finland within standard business hours, as well as at the registered office of Neles at Vanha Porvoontie 229, FI-01380 Vantaa, Finland within standard business hours.

General

Pursuant to the Combination Agreement and the Merger Plan entered into by and between Valmet and Neles on July 2, 2021, the Boards of Directors of Valmet and Neles propose to the EGMs of the respective companies that the EGMs resolve upon the Merger of Neles into Valmet through a statutory absorption merger whereby all assets and liabilities of Neles shall be transferred without a liquidation procedure to Valmet, as set forth in the Merger Plan. As Merger Consideration, the shareholders of Neles shall receive Merger Consideration Shares in proportion to their shareholdings in Neles, as set forth below in the section "– *Merger Consideration*".

Amendments to Valmet's Articles of Association

The Merger Plan includes a proposal on amending the Articles of Association of Valmet in connection with the registration of, and conditional upon, the execution of the Merger. The amendments proposed in the Merger include (i) a change to Valmet's field of business to better reflect the business of the Combined Company, (ii) a change of accounting period so that the reference to the first accounting period is removed, (iii) a change concerning auditing so that the terminology be changed to reflect currently valid legislation, (iv) a change concerning the notice convening a general meeting so that it also concerns the place of general meetings of shareholders and that general meetings of shareholders may be held in Helsinki, Espoo or Vantaa and (v) a change concerning the annual general meetings of shareholders so that the terminology be changed to reflect currently valid legislation and a clarification be made to the provision concerning the voting procedure.

Articles of Association of Valmet, including the above-mentioned proposals, are attached as an appendix to the Merger Plan.

Board of Directors of the Combined Company

According to the proposed Articles of Association of the Combined Company, the Combined Company shall have a Board of Directors consisting of a minimum of five (5) and a maximum of eight (8) members. The number of the members of the Board of Directors of the Combined Company shall be conditionally confirmed and the members of the Board of Directors shall be conditionally elected by the EGM of Valmet resolving on the Merger. Both decisions shall be conditional upon the execution of the Merger. The term of such members of the Board of Directors shall commence on the Effective Date and shall expire at the end of the first Annual General Meeting of the Combined Company following the Effective Date.

The Board of Directors of Valmet shall propose a resolution to the EGM of Valmet, according to which the number of the members of the Board of Directors of the Combined Company shall be eight (8) and according to which Mikael Mäkinen, current Chairman of the Board of Directors of Valmet would be conditionally elected to continue as Chairman of the Board of Directors of the Combined Company, Jaakko Eskola, current Chairman of the Board of Neles, would be conditionally elected as new Vice Chairman of the Board of Directors of the Combined Company, Aaro Cantell, Pekka Kemppainen, Monika Maurer, Eriikka Söderström and Per Lindberg, each a current member of the Board of Directors of Valmet, would be conditionally elected to continue to serve on the Board of Directors of the Combined Company, and that Anu Hämäläinen, a current member of the Board of Directors of the Neles, would be conditionally elected as new member of the Board of Directors of the Combined Company for the term commencing on the Effective Date and expiring at the end of the first Annual General Meeting of the Combined Company following the Effective Date.

The Board of Directors of Valmet shall also propose to the EGM of Valmet a resolution on the remuneration of the Chairman, Vice Chairman and other members of the Board of Directors of the Combined Company, including remuneration of the members of the Audit Committee and the Remuneration and HR Committee of the Combined

Company, for the term commencing on the Effective Date and expiring at the end of the first Annual General Meeting of the Combined Company following the Effective Date. The annual remuneration of the new members to be elected shall be paid in proportion to the length of their term of office. Otherwise, the resolutions on Board remuneration made by the Annual General Meeting of Valmet held on March 23, 2021 or a subsequent Annual General Meeting of Valmet held before the Effective Date shall remain in force unaffected and, for the avoidance of doubt, full annual remuneration until the next annual general meeting of Valmet shall be paid to those members who have not been conditionally elected to continue to serve on the Board of Directors of the Combined Company.

The term of the current members of the Board of Directors of Valmet not conditionally elected to continue to serve on the Board of Directors of the Combined Company for the term commencing on the Effective Date shall end on the Effective Date.

The term of the members of the Board of Directors of Neles shall end on the Effective Date upon the dissolution of Neles. The members of the Board of Directors of Neles shall be paid a reasonable remuneration for the preparation of the final accounts of Neles.

The Board of Directors of Valmet, after consultation with the Board of Directors of Neles, may amend the above-mentioned proposal concerning the election of members of the Board of Directors of the Combined Company, in case one or more of the above-mentioned persons would not be available for election at the EGM of Valmet.

The Board of Directors of Valmet, after consultation with the Board of Directors of Neles, shall have a right to convene a General Meeting of Shareholders after the EGM of Valmet to (i) resolve to supplement or amend the composition or remuneration of the Board of Directors of the Combined Company in case a person conditionally elected as a member of the Board of Directors by the EGM of Valmet would have to be replaced by another person due to resignation, incapacity or any other reason by virtue of which the conditionally elected person would be unable to act as a member of the Board of Directors of the Combined Company, or in case the remuneration of the Board of Directors of the Combined Company would need to be amended for some other reason; and/or (ii) replace the auditor of Valmet, prior to the Effective Date in case Valmet's current auditor would have to be replaced.

Valmet and Neles have agreed that the Shareholders' Nomination Board of the Combined Company as from the Effective Date shall have five (5) members, of which one (1) shall be nominated by each of the four (4) largest shareholders and the fifth being the Chairman of the Board of Directors of Valmet.

The Board of Directors of Valmet shall propose to the EGM of Valmet a temporary deviation from the Charter of the Valmet's Shareholders' Nomination Board to the effect that the composition of the Shareholders' Nomination Board will be amended after the Effective Date and the right to nominate representatives to the Shareholders' Nomination Board following the Effective Date shall be vested with the shareholders having the largest share of the votes represented by all the Shares in the Combined Company on the first business day following the Effective Date, provided that the Effective Date occurs no less than four (4) months prior to the planned date of the next Annual General Meeting of the Combined Company.

Merger Consideration

General

The shareholders of Neles shall receive as Merger Consideration 0.3277 new shares of Valmet for each share they hold in Neles, that is, the Merger Consideration shall be issued to the shareholders of Neles in proportion to their existing shareholding with a ratio of 0.3277:1. There is only one share class in Valmet, and the shares of Valmet do not have a nominal value. Shares in Neles held by Neles or Valmet do not carry a right to the Merger Consideration.

In case the number of Merger Consideration Shares received by a shareholder of Neles (per each individual book-entry account) is a fractional number, the fractions shall be rounded down to the nearest whole number. Fractional entitlements to the Merger Consideration Shares shall be aggregated and sold in public trading on Nasdaq Helsinki, and the proceeds shall be distributed to shareholders of Neles entitled to receive such fractional entitlements in proportion to their holding of such fractional entitlements. Any costs related to the sale and distribution of fractional entitlements shall be borne by Valmet.

Apart from the Merger Consideration Shares and proceeds from the sale of fractional entitlements, no other consideration shall be distributed to the shareholders of Neles.

Exchange ratio

The Merger is based on an exchange ratio reflecting a relative value of Neles and Valmet of 0.3277:1.

The Merger Consideration has been determined based on the relation of valuations of Neles and Valmet. The value determination has been made by applying generally used valuation methods. The value determination has been based on stand-alone valuations of Valmet and Neles taking into account various company specific factors. See also above "– *Fairness Opinions*".

Allocation of the Merger Consideration

The allocation of the Merger Consideration shall be based on the shareholding in Neles at the end of the last trading day preceding the Effective Date. The final total number of shares in Valmet issued as Merger Consideration shall be determined on the basis of the number of shares in Neles held by shareholders, other than Valmet or Neles itself, at the end of the day preceding the Effective Date. Such total number of shares issued shall be rounded down to the nearest full share. Based on the situation on the date of this Merger Prospectus, Neles holds 150,361 treasury shares and Valmet holds 44,415,207 shares in Neles. Based on the situation on the date of this Merger Prospectus, the total number of shares in Valmet to be issued as Merger Consideration would therefore be 34,664,986 shares.

Distribution of the Merger Consideration and delivery of the Merger Consideration Shares

The Merger Consideration shall be distributed to the shareholders of Neles on the basis of the number of shares in Neles held by shareholders, other than Valmet or Neles itself, on the Effective Date or as soon as reasonably possible thereafter.

The Merger Consideration shall be distributed in the book-entry securities system maintained by Euroclear Finland. The Merger Consideration payable to each shareholder of Neles shall be calculated, using the Exchange Ratio set forth in "– *Exchange Ratio*" above, based on the number of shares in Neles registered in each separate book-entry account of each such shareholder at the end of the last trading day preceding the Effective Date. The Merger Consideration shall be distributed automatically, and no actions are required from the shareholders of Neles in relation thereto. The Merger Consideration Shares shall carry full shareholder rights as from the date of their registration in the Finnish Trade Register.

Listing of the Merger Consideration Shares and delisting of the shares of Neles

Valmet intends to apply for the Merger Consideration Shares to be listed on the official list of Nasdaq Helsinki. An application for the Listing shall be submitted prior to the Effective Date. The trading in the Merger Consideration Shares on the official list of Nasdaq Helsinki is expected to begin approximately on the Effective Date or as soon as reasonably possible thereafter (with the Effective Date being January 1, 2022, the trading in the Merger Consideration Shares is expected to begin on or about January 3, 2022).

Share Capital of the Combined Company

On July 2, 2021, the share capital of Valmet was EUR 100,000,000 and it has not changed between July 2, 2021 and the date of this Merger Prospectus. The share capital of Valmet shall be increased by EUR 40,000,000 in connection with the registration of the execution of the Merger in the Finnish Trade Register, after which the share capital of the Combined Company shall be EUR 140,000,000. The equity increase of Valmet, insofar as it exceeds the amount to be recorded into the share capital, shall be recorded as an increase of the reserve for invested unrestricted equity as defined in Chapter 8, Section 2 of the Finnish Companies Act.

Arrangements Outside of Ordinary Business Operations

Valmet and Neles have agreed in the Merger Plan that they shall continue their operations in the ordinary course of business and in a manner consistent with their past practice, unless the parties specifically agree otherwise.

Except as set forth in the Merger Plan or the Combination Agreement, and unless the parties specifically agree otherwise, Neles and Valmet shall during the Merger process not resolve on any matters (regardless of whether such matters are ordinary or extraordinary) which would affect the shareholders' equity or number of outstanding shares in the relevant company, including but not limited to corporate acquisitions and divestments, share issues, issue of special rights entitling to shares, acquisition or disposal of treasury shares, dividend distributions, changes in share capital, or any comparable actions, or take or commit to take any such actions, except for:

(A) In case of Valmet:

(i) if the execution of the Merger has not taken place prior to February 28, 2022, a distribution of funds for the financial year ending December 31, 2021 prior to the Effective Date in an aggregate amount not exceeding EUR 180 million and it being understood that (i) Valmet cannot under any circumstances distribute a higher amount of funds than set forth in this sentence and (ii) this sub-section (A)(i) may not restrict the distribution of minority dividend in accordance with the Finnish Companies Act; and

(ii) issuance of a maximum of 251,230 shares under the current share-based incentive plans;

(B) In case of Neles:

(i) if the execution of the Merger has not taken place prior to February 28, 2022, a distribution of funds for the financial year ending December 31, 2021 prior to the Effective Date in an aggregate amount not exceeding EUR 40 million and it being understood that (i) Neles cannot under any circumstances distribute a higher amount of funds than the combined amount of the distribution of funds set forth in this sentence and the extra distribution of funds set forth in sub-section (B)(ii) below; and (ii) this sub-section (B)(i) may not restrict the distribution of minority dividend in accordance with the Finnish Companies Act (and the possible distribution of minority dividend shall not restrict the extra distribution of funds set forth in sub-section (B)(ii) below); and

(ii) an extra distribution of funds in the amount of up to EUR 2.00 per share either as dividend or return of equity or a combination of the aforementioned prior to the Effective Date to the shareholders of Neles (the "**Extra Distribution to Neles Shareholders**");

in each case listed above under sub-sections (A) and (B), as agreed in more detail and in accordance with the Combination Agreement.

Conditions for the Merger

The completion of the Merger is conditional upon the satisfaction or, to the extent permitted by applicable law, waiver of each of the conditions set forth under "*– Combination Agreement – Conditions to the Completion of the Merger*" above.

Extraordinary General Meeting of Valmet for Approving the Merger

General

The Board of Directors of Valmet has, on August 9, 2021, proposed that the EGM of Valmet convened to be held on September 22, 2021, resolves on the Merger in accordance with the Merger Plan and approves the Merger Plan.

In order to reduce the risk of infection resulting from the COVID-19 situation, shareholders are advised to primarily follow the EGM online via webcast and to vote in advance or to participate in the meeting by way of proxy representation arranged by Valmet.

Right to Participate

Shareholders registered in the shareholders' register

Each shareholder who is registered on the record date of the EGM September 10, 2021 in the shareholders' register of Valmet held by Euroclear Finland has the right to participate in the EGM. A shareholder whose shares are registered on his/her personal Finnish book-entry account is registered in the shareholders' register of Valmet.

A shareholder who is registered in the shareholders' register of Valmet and who wants to participate in the EGM, shall register for the meeting no later than on September 16, 2021 at 4 p.m. (Finnish time) by giving a prior notice of participation. The notice must be received by Valmet before the end of the registration period. Registration for the EGM started on August 13, 2021 at 10 a.m. (Finnish time):

- through Valmet's website at the address www.valmet.com/egm; or
- by sending a written notification to the address Valmet Oyj, EGM / Anne Grahn-Löytänen, P.O. Box 11, FI-02151 Espoo, Finland.

In connection with the registration, a shareholder must state his/her name, personal identification number or business identity code, address, telephone number and the name of a possible assistant, proxy representative or statutory representative and the personal identification number of the proxy representative or statutory representative. When using the proxy representative designated by Valmet a shareholder shall notify the identification code for such representative instead of the personal identification number as further instructed in the proxy document referred to in section "*– Proxy Representatives and Powers of Attorney*" below. In addition, a shareholder is requested to confirm whether he/she intends to participate in the meeting at the meeting venue in person or by representative other than the proxy representative designated by Valmet. The personal data given to Valmet by shareholders is used only in connection with the EGM and with the processing of related registrations.

The shareholder, his/her authorized representative or proxy representative shall, if necessary, be able to prove his/her identity and/or right of representation at the EGM.

Holders of Nominee Registered Shares

A holder of nominee registered shares has the right to participate in the EGM by virtue of such shares based on which he/she on the EGM record date September 10, 2021 would be entitled to be registered in the shareholders' register held by Euroclear Finland. The right to participate in the EGM requires, in addition, that the shareholder on the basis of such shares has been temporarily registered into the shareholders' register held by Euroclear Finland at the latest by September 17, 2021 at 10 a.m. (Finnish time). As regards nominee registered shares, this constitutes due registration for the EGM. Changes in shareholding after the EGM record date affect neither the right to participate in the EGM nor the shareholders' number of votes.

A holder of nominee registered shares is advised to request without delay the necessary instructions regarding registration in the temporary shareholders' register, the issuing of proxy documents and registration in the EGM from his/her custodian bank.

The account management organization of the custodian bank shall register a holder of the nominee registered shares, who wants to participate in the EGM, into the temporary shareholders' register of Valmet at the latest by the time stated above.

Proxy Representatives and Powers of Attorney

A shareholder who has registered for the meeting may participate in and exercise his/her rights at the EGM by way of proxy representation.

A shareholder can use the proxy service provided by Valmet free of charge and authorize a proxy representative designated by Valmet to represent the shareholder in the meeting in accordance with the shareholder's voting instructions. Detailed instructions for using the proxy service provided by Valmet together with the proxy document including voting instructions are available on Valmet's website www.valmet.com/egm.

A shareholder may also authorize another proxy representative. The proxy representative is required to produce a dated proxy document or otherwise in a reliable manner demonstrate his/her right to represent the shareholder.

If a shareholder participates in the EGM by means of several proxy representatives representing the shareholder with shares held at different securities accounts, the shares by which each proxy representative represents the shareholder shall be identified in connection with the registration for the EGM.

Possible proxy documents should be notified in connection with registration, and they are requested to be delivered completed and signed to Valmet before the end of the registration period. A proxy representative must be prepared to present the proxy document also at the meeting venue.

Advance voting

A shareholder who has a Finnish book-entry account may vote in advance on certain items on the agenda of the EGM during the time period from August 13, 2021 at 10 a.m. (Finnish time) until September 16, 2021 at 4 p.m. (Finnish time).

Unless a shareholder voting in advance will be present in the EGM in person or by way of proxy representation, the shareholder may not be able to exercise his/her right under the Finnish Companies Act to request information or a vote and if decision proposals regarding certain agenda items have changed after the beginning of the advance voting period, his/her possibility to vote on such item may be restricted.

Advance voting can take place:

- through Valmet's website at the address www.valmet.com/egm

  If the shareholder is an individual, advance voting via the Valmet's website requires strong electronic authentication with a Finnish bank ID or Finnish mobile certificate. Shareholders who are legal persons can vote in advance via the Valmet's website by using their business ID and book-entry account number.

- By email or mail

  Shareholders may send the advance voting form available on the Valmet's website or corresponding information to Euroclear Finland by email to the address yhtiokokous@euroclear.eu or by mail to the address Euroclear Finland Oy, Yhtiökokous / Valmet Oyj, P.O. Box 1110, FI-00101 Helsinki, Finland.

  If a shareholder participates in the EGM by submitting advance votes to Euroclear Finland, the submission of the advance votes before the end of the registration and advance voting period constitutes registration for the meeting, provided that the information required for registration and advance voting listed below has been given.

In connection with the advance voting, the requested information, such as the shareholder's name, personal identification number or business identity code, address and telephone number and the name of a possible proxy representative or statutory representative and the personal identification number of the proxy representative or statutory representative, must be given. The personal data given to Valmet or Euroclear Finland by shareholders is used only in connection with the EGM and with the processing of related registrations.

Voting Rights and the Majority Required for the Approval of the Merger

Each share in Valmet entitles the holder to one vote at the EGM of Valmet. The Merger and the Merger Plan must be approved by a majority of two-thirds of the votes cast and shares represented at the EGM of Valmet. The Merger Plan must be approved in the form proposed by the Board of Directors of Valmet. If the EGM of Valmet does not approve the Merger and the Merger Plan, the Merger will not be completed.

Shareholders holding on August 30, 2021 in aggregate approximately 16.9 percent of the outstanding shares and votes carried by the outstanding shares in Valmet, have subject to certain customary conditions irrevocably undertaken to attend the EGM of Valmet and vote in favor of the Merger. See "– *Shareholder Support*" above.

Extraordinary General Meeting of Neles for Approving the Merger

General

The Board of Directors of Neles has, on August 9, 2021, proposed that the EGM of Neles convened to be held on September 22, 2021, resolves on the Merger in accordance with the Merger Plan and approves the Merger Plan.

In addition, the Board of Directors of Neles has proposed that the EGM of Neles authorizes the Board of Directors to resolve, before the completion of the Merger, on the Extra Distribution to Neles Shareholders.

In order to reduce the risk of infection resulting from the COVID-19 situation, shareholders are advised to primarily follow the meeting online via webcast and to vote in advance or to participate in the meeting by way of proxy representation arranged by Neles.

Right to Participate

Shareholders registered in the shareholders' register

Each shareholder who is registered on the record date of the EGM on September 10, 2021 in the shareholders' register of Neles held by Euroclear Finland has the right to participate in the EGM. A shareholder whose shares are registered on his/her personal Finnish book-entry account is registered in the shareholders' register of Neles.

A shareholder who is registered in the shareholders' register and who wants to participate in the EGM, shall register for the meeting no later than on September 16, 2021 at 4 p.m. by giving a prior notice of participation. The notice must be received by Neles before the end of the registration period. Registration for the meeting started on August 13, 2021 at 10 a.m. (Finnish time):

- at the address www.neles.com/egm; or
- by sending a written notification to the address Neles Corporation, EGM, P.O. Box 304, FI-01301 Vantaa, Finland.

In connection with the registration, a shareholder shall notify his/her name, personal identification number or business identity code, address, telephone number and the name of a possible assistant, proxy representative or statutory representative and the personal identification number of the proxy representative or statutory representative. When using the proxy representative designated by Neles a shareholder shall notify the identification code for such representative instead of the personal identification number as further instructed in the proxy document referred to in section *"– Proxy Representatives and Powers of Attorney*" below. In addition, a shareholder is requested to confirm whether he/she intends to participate in the meeting at the meeting venue in person or by a representative other than the proxy representative designated by Neles. The personal data given to Neles by shareholders is used only in connection with the EGM and with the processing of related registrations.

The shareholder, his/her authorized representative or proxy representative shall, where necessary, be able to prove his/her identity and/or right of representation at the EGM.

Holders of Nominee Registered Shares

A holder of nominee registered shares has the right to participate in the EGM by virtue of such shares based on which he/she on the record date of the EGM September 10, 2021 would be entitled to be registered in the shareholders' register held by Euroclear Finland. The right to participate in the EGM requires, in addition, that the shareholder on the basis of such shares has been temporarily registered into the shareholders' register held by Euroclear Finland by September 17, 2021 at 10 a.m. (local time), at the latest. As regards nominee registered shares, this constitutes due registration for the EGM.

A holder of nominee registered shares is advised to request well in advance the necessary instructions regarding the registration in the temporary shareholders' register, the issuing of proxy documents and registration for the EGM of Neles from his/her custodian bank.

The account management organization of the custodian bank shall register a holder of the nominee registered shares who wants to participate in the EGM, into the temporary shareholders' register of Neles at the latest by the time stated above.

Proxy Representatives and Powers of Attorney

A shareholder who has registered for the meeting may participate in and exercise his/her rights at the EGM by way of proxy representation.

A shareholder can use the proxy service provided by Neles free of charge and authorize a proxy representative designated by Neles to represent the shareholder in the meeting in accordance with the shareholder's voting instructions. The proxy representative can also be instructed to make a redemption demand at the meeting in accordance with Chapter 16, Section 13 of the Finnish Companies Act on the shareholder's behalf. Detailed instructions for using the proxy service provided by Neles together with a proxy document including voting instructions are available on Neles' website www.neles.com/egm.

A shareholder may also authorize another proxy representative. The proxy representative is required to produce a dated proxy document or otherwise in a reliable manner demonstrate his/her right to represent the shareholder.

If a shareholder participates in the EGM by means of several proxy representatives representing the shareholder with shares held at different securities accounts, the shares by which each proxy representative represents the shareholder shall be identified in connection with the registration for the EGM.

Possible proxy documents should be notified in connection with registration, and they are requested to be delivered to Neles before the end of the registration period. A proxy representative must be prepared to present the proxy document also at the meeting venue.

Advance voting

A shareholder who has a Finnish book-entry account may vote in advance on certain items on the agenda of the EGM during the time period August 13, 2021 at 10 a.m. until September 16, 2021 at 4 p.m.

Unless a shareholder voting in advance will be present in person or by proxy in the EGM, the shareholder may not be able to exercise his/her right under the Finnish Companies Act to request information or a vote in the EGM and if decision proposals regarding certain agenda items have changed after the beginning of the advance voting period, the shareholder's possibility to vote on such item may be restricted. Further, a redemption demand concerning a shareholder's shares pursuant to Chapter 16, Section 13 of the Finnish Companies Act may only be made at the EGM either in person or by instructing the proxy representative designated by Neles or another proxy representative to make such demand at the EGM, regardless of whether the shareholder has voted in advance or not.

Advance voting is possible by the following means:

- through Neles' website at the address www.neles.com/egm

  For natural persons, the electronic voting in advance requires secured strong electronic authentication and the shareholder may vote by logging in with his/her Finnish online banking codes or a mobile certificate.

  For shareholders that are legal persons, no strong electronic authentication is required. However, shareholders that are legal persons must notify their book-entry account number and other required information.

- by email or regular mail

A shareholder may send the advance voting form available on Neles' website or corresponding information to Euroclear Finland by email at yhtiokokous@euroclear.eu or by regular mail to Euroclear Finland Oy, Yhtiökokous/Neles Oyj P.O. Box 1110, FI-00101 Helsinki, Finland.

A representative of a shareholder must in connection with delivering the voting form produce a dated proxy authorization document or otherwise in a reliable manner demonstrate his/her right to represent the shareholder at the EGM.

If a shareholder participates in the EGM by sending votes in advance by email or by regular mail to Euroclear Finland, the delivery of the votes before the end of the registration and advance voting period shall constitute due registration for the EGM, provided that it includes the above-mentioned information required for registration and advance voting.

Voting Rights and the Majority Required for the Approval of the Merger

Each share in Neles entitles the holder to one vote at the EGM of Neles. The Merger and the Merger Plan must be approved by a majority of two-thirds of the votes cast and shares represented at the EGM of Neles. The Merger Plan must be approved in the form proposed by the Board of Directors of Neles. If the EGM of Neles does not approve the Merger and the Merger Plan, the Merger will not be completed.

Shareholders holding on August 30, 2021 in aggregate approximately 15.4 percent of the outstanding shares and votes carried by the outstanding shares in Neles, have subject to certain customary conditions irrevocably undertaken to attend the EGM of Neles and to vote in favor of the Merger. Together with Valmet, the above-mentioned shareholders in Neles held on August 30, 2021 in aggregate approximately 45.0 percent of the outstanding shares and votes in Neles. See "–*Shareholder Support*" above.

Right of Redemption

If the EGM of Neles approves the Merger and provided that the conditions to the completion of the Merger have been fulfilled or waived, each shareholder of Neles, who demanded the redemption of his or her shares and voted against the Merger at the EGM has the right pursuant to Chapter 16, Section 13 of the Finnish Companies Act to have his or her shares in Neles redeemed by Valmet in cash at a fair price.

If a shareholder who has demanded redemption is unable to agree with Valmet on the right or terms of the redemption of Neles' shares, the shareholder shall submit the matter to arbitration within a specified timeframe in accordance with the Finnish Companies Act. The redemption price must be paid within a month of a final judgment on the redemption, but not before the registration of the completion of the Merger. Once the arbitration proceedings have been initiated, the shareholder shall only have a right to the redemption price. If it is later determined in the redemption proceedings that the shareholder has no right of redemption, he or she shall have a right to the Merger Consideration in accordance with the Merger Plan. If the Merger lapses, the redemption proceedings shall also lapse. See also "*Shareholder Rights – Right of Redemption in Connection with the Merger*".

Pursuant to the Combination Agreement and the Merger Plan, the completion of the Merger is subject to the condition that shareholders in Neles representing no more than twenty (20) percent of all shares and votes in Neles demand at the EGM of Neles resolving on the Merger that their shares be redeemed (subject to waiver by Valmet and Neles). See also "*Risk Factors – Risks Related to the Merger – The Combined Company could be obligated to make a significant cash payment or the Merger may not be completed should some of Neles' shareholders vote against the Merger in the EGM of Neles and require redemption of their shares in Neles*".

Fees and Costs Relating to the Merger

The total costs estimated to be incurred by Valmet and Neles in connection with the Merger primarily comprise financial, legal and advisory costs and amount to approximately EUR 29 million (excluding financing transaction costs). No expenses are charged by Valmet and Neles from their respective shareholders in relation to the Merger.

Listing of the Merger Consideration Shares

Valmet intends to apply for the listing of the Merger Consideration Shares to trading on the official list of Nasdaq Helsinki. An application for the Listing will be submitted prior to the Effective Date. Trading in the Merger Consideration Shares is expected to commence on the official list of Nasdaq Helsinki on or about the Effective Date or as soon as reasonably possible thereafter (with the Effective Date being January 1, 2022, the trading in the Merger Consideration Shares is expected to begin on or about January 3, 2022).

Issuing and Paying Agent

Nordea is acting as an issuing and paying agent in respect of the Merger, *i.e.*, assisting Valmet and Neles with certain administrative services concerning the issuance of the Merger Consideration Shares. The entity performing the activities of an issuing and paying agent is Nordea (the address of which is Satamaradankatu 5, FI-00020 Nordea, Finland). The fact that Nordea is acting as issuing and paying agent does not, in itself, mean that Nordea regards Neles' shareholders as customers of Nordea. For the purposes of the issuance of the Merger Consideration Shares, Neles' shareholder is regarded as a customer of Nordea only if Nordea has provided advice to the Neles' shareholder regarding the issuance of the Merger Consideration Shares or has otherwise contacted the Neles' shareholder individually regarding the issuance of the Merger Consideration Shares, or if the Neles' shareholder has an existing customer relationship with the bank. As a consequence of Nordea not regarding the Neles' shareholder as a customer in respect of the issuance of the Merger Consideration Shares, the investor protection rules set forth in the Finnish Investment Service Act (747/2012, as amended) will not apply to the issuance of the Merger Consideration Shares. This means, among other things, that neither customer categorization nor a suitability assessment will take place with respect to the issuance of the Merger Consideration Shares. Accordingly, the Neles' shareholder is personally responsible for ensuring that he or she possesses sufficient experience and knowledge to understand the risks associated with the issuance of the Merger Consideration Shares.

Neles' shareholders may need to provide personal data to Nordea in connection with the issuance of the Merger Consideration Shares. Personal data provided to Nordea will be processed in data systems to the extent required to provide services and administer matters in Nordea. Personal data obtained from a party other than the customer to whom the processing relates may also be processed. Personal data may also be processed in data systems at companies and organizations with which Nordea cooperate. Information regarding the processing of personal data is provided by Nordea's branch offices, which also accept requests for correction of personal data. Information regarding addresses may be obtained by Nordea through automatic data runs at Euroclear Finland.

The issuance of the Merger Consideration Shares is not subject to an underwriting agreement on a firm commitment basis or otherwise by Nordea or any other party.

INFORMATION ON THE COMBINED COMPANY

The following discussion provides an overview of the Combined Company and is based on, among other things, the assumption that the Merger will be completed in the manner and the timeframe contemplated in this Merger Prospectus. However, there can be no assurance that the Merger will be completed in the manner or timeframe contemplated in this Merger Prospectus or at all, any of which could cause any of the statements below regarding the Combined Company to not materialize. See "Risk Factors – Risks Related to the Merger – Various factors may cause that the Merger is not completed or that its completion is delayed" and "Risk Factors – Risks Related to the Merger – The Merger may not necessarily be completed in the manner currently contemplated, which could have a material adverse effect on the estimated benefits of the Merger or the market price of the shares in Valmet and/or Neles." See also "Certain Matters – Market, Economic, and Industry Data and Management Reports and Findings."

The following discussion includes estimates relating to the cost and revenue 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. Such estimates present the expected future impact of the Merger on the Combined Company's business, financial condition and results of operations. Such estimates have been prepared by Valmet and Neles and are based on a number of assumptions and judgments. The assumptions relating to the estimated cost and revenue synergy benefits and the 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 cost and revenue synergy benefits from the Merger, if any, and the integration costs to differ materially from the estimates in this Merger Prospectus. For information on the assumptions used to estimate the cost and revenue 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, see "– Assumptions Used When Estimating Synergies and Integration Costs" below.

Overview

The purpose of the Merger is to create a leading company with a unique offering for process industries globally, with strong positions in its respective segments including paper, board, pulp and energy technologies, flow control, automation systems and services. The Combined Company's pro forma net sales amounted to EUR 4.3 billion, pro forma operating profit to EUR 403 million and pro forma comparable EBITA to EUR 449 million for the year ended December 31, 2020. In addition, it will have a global expert organization of approximately 17,000 professionals. The Combined Company expects to have enhanced growth opportunities across automation and flow control serving a range of various process industries with a strong sustainability focus.

The Combined Company will continue to be listed on Nasdaq Helsinki and the name of the company will remain Valmet Oyj.

The Rationale of the Combination

The proposed combination is expected to:

- Create a leading company with a unique, competitive and balanced total offering for process industries globally with
    - pro forma net sales of EUR 4.3 billion in 2020 and approximately 17,000 employees;
    - strong positions in its respective segments including paper, board, pulp and energy technologies, flow control, automation systems and services;
    - a combined business benefitting from diversified product platforms, end markets and customers with relevant scale in key markets; and
    - an ideal positioning to benefit from the strong sustainability focus in the Combined Company's end markets through megatrends such as energy transition and increasing demand for renewables;
- Create opportunities to exceed market growth, increase profitability and maintain a strong financial profile with end markets diversification across process industries and a large recurring and stable automation and services business providing resilience to business cycles;
- Enhance the Combined Company's competitive positioning and offering through the strong industrial benefits of the combination of flow control and automation systems;
- Create a platform for further growth in the automation and flow control business;
- Contribute to shareholder value through, among others, synergies expected from the combination; and
- Benefit from Valmet's track record and know-how in developing integrated businesses as evidenced by its growth path of automation.

Synergies

The combination of Valmet and Neles is expected to generate annual run-rate synergies of approximately EUR 25 million of which approximately 60 percent are expected to be achieved by 2023 and approximately 90 percent by 2024. Total one-off implementation costs related to synergies are expected to be approximately EUR 25 million.

The business is expected to benefit from cost and revenue synergies driven by:

- Revenue synergies from improved combined sales to pulp & paper customers, cross-selling to the energy and process industry customers, a more comprehensive service offering and an extended service network;
- New offering development synergies from improved process automation technology development as well as remote monitoring and predictive maintenance offering development; and
- Cost synergies from, *e.g.*, enhanced efficiencies in global and country-driven functions, common locations and cost savings from combining functions relating to operating as a listed company.

The above statements regarding cost and revenue synergy benefits and related integration costs constitute forward-looking statements, which should be treated with caution. Numerous factors may cause actual results of operations to differ materially from the results of operations implied in the forward-looking statements. For additional information, see "Certain Matters – Forward-Looking Statements." For information on the assumptions used to estimate the cost and revenue synergy benefits expected to arise from the Merger and the combination of the business operations of Valmet and Neles and the related integration costs, see "– Assumptions Used When Estimating Synergies and Integration Costs" below. See also "Risk Factors – Risks Related to the Merger – The Combined Company may not be able to realize the expected benefits of the Merger or be successful in combining the business operations of Valmet and Neles in the manner or within the timeframe estimated, and the implementation costs may exceed estimates."

Financial Targets

The Board of Directors of Valmet has together with its management considered appropriate preliminary financial targets for the Combined Company and agreed on the following framework. Subsequent to the completion of the Merger, the management team of the Combined Company will together with the Board of Directors of the Combined Company refine and possibly adapt these targets.

- Net sales for services and automation business to grow over two times the market growth;
- Net sales for capital business to exceed market growth;
- Comparable EBITA: 12–14 percent;
- Comparable return on capital employed (ROCE) before taxes at least 15 percent; and
- Dividend payout at least 50 percent of net profit.

The statements set forth in this section include forward-looking statements and are not guarantees of the Combined Company's financial performance. The Combined Company's actual results of operations and financial position could differ materially from the results of operations or financial position presented in or implied by such forward-looking statements as a result of many factors discussed in, among other sections, including but not limited to those described under "Risk Factors", "Information on Valmet – Outlook and Trend Information" and "Information on Neles – Outlook and Trend Information". For more information, see "Certain Matters – Forward-Looking Statements". These forward-looking statements should be treated with caution.

Assumptions Used When Estimating Synergies and Integration Costs

This Merger Prospectus 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 have been prepared by Valmet in consultation with 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 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 integration costs to differ materially from the estimates in this Merger Prospectus. These assumptions include, among others:

- the completion of the Merger and the combination of the business operations of Valmet and Neles in the planned manner and timeframe;
- the successful implementation of an organization for the Combined Company;
- increasing the sales of the Combined Company in the planned manner and timeframe;
- the cross-selling of the Combined Company;

- the streamlining of the Combined Company's organization and premises in the planned manner and timeframe;
- the integration of Valmet's and Neles' IT systems to be conducted in the manner presumed;
- no material changes in the costs underlying the analysis of synergy benefits, which are based on historical performance data, during the integration; and
- no material changes in global or national macroeconomic conditions.

Board of Directors and Management

It is proposed that the Board of Directors of the Combined Company will include six (6) directors from the current Board of Directors of Valmet (Mikael Mäkinen, Aaro Cantell, Pekka Kemppainen, Per Lindberg, Monika Maurer and Eriikka Söderström) and two (2) directors from the current Board of Directors of Neles (Jaakko Eskola and Anu Hämäläinen). It is proposed that the Combined Company's Chairman of the Board of Directors will be Mikael Mäkinen and that the Combined Company's Vice Chairman of the Board of Directors will be Jaakko Eskola.

Pursuant to the Merger Plan, the number of the members of the Board of Directors of the Combined Company shall be conditionally confirmed and the members of the Board of Directors shall be conditionally elected by the EGM of Valmet resolving on the Merger. Both decisions shall be conditional upon the execution of the Merger. The term of such members of the Board of Directors shall commence on the Effective Date and shall expire at the end of the first annual general meeting of the Combined Company following the Effective Date. For a presentation of the proposed members of the Board of Directors of the Combined Company, see the following sections: "*Information on Valmet – Valmet's Board of Directors, Management and Auditors – Board of Directors*" and "*Information on Neles – Neles' Board of Directors, Management and Auditors – Board of Directors*".

Pasi Laine, currently President and CEO of Valmet, will continue to act as the President and CEO of the Combined Company after the completion of the Merger. In the event that Pasi Laine resigns or otherwise must be replaced by another person prior to the Effective Date, the Boards of Directors of Valmet and Neles shall mutually agree on the appointment of a new President and CEO. Kari Saarinen, the current CFO of Valmet, would be appointed as the CFO. For a presentation of the CEO and the CFO of the Combined Company, see "*Information on Valmet – Valmet's Board of Directors, Management and Auditors – Executive Team*".

Corporate Governance and Listing of the Shares

The Combined Company will be domiciled in Helsinki, Finland and its reporting languages will be Finnish and English. The Combined Company will continue to be listed on Nasdaq Helsinki and the name of the company will remain Valmet Oyj. The location of the headquarters of the Combined Company will be in Espoo, Finland.

The Combined Company will continue to follow the rules and regulations for disclosure obligations and corporate governance applicable to a company whose shares are listed on the official list of Nasdaq Helsinki.

Shares and Ownership

As the date of this Merger Prospectus, Valmet has 149,473,261 shares outstanding (excluding treasury shares) and Neles has 150,197,895 shares outstanding (excluding treasury shares).

Upon completion of the Merger, Neles' shareholders (excluding Valmet as well as Neles with respect to treasury shares held) will receive as Merger Consideration 0.3277 new shares in Valmet for each share they hold in Neles at the end of the last trading day preceding the Effective Date, corresponding to a post-completion ownership of Shares and votes carried by Shares in the Combined Company of approximately 18.8 percent for Neles shareholders and approximately 81.2 percent for Valmet shareholders, assuming that none of Neles shareholders demands redemption of his/her/their shares at the EGM of Neles resolving on the Merger and that no additional shares are issued by Valmet or Neles. See also "*Shareholder Rights*".

Based on the situation on the date of this Merger Prospectus, the total number of the Merger Consideration Shares to be issued is expected to be 34,664,986 shares (excluding shares held by Valmet in Neles as well as treasury shares held by Neles, and assuming that none of Neles' shareholders will demand redemption of his/her/their shares at the EGM of Neles resolving on the Merger), and the total number of the Combined Company's Shares is expected to be 184,529,605 Shares. The final amount of Merger Consideration Shares could be affected by, among others, a change in the number of Neles' shares issued and outstanding. Changes in the number of Neles' and Valmet's shares issued and outstanding are possible only in situations permitted in the Combination Agreement and Merger Plan. Each Share in the Combined Company entitles the holder to one vote at the general meetings of shareholders of the Combined Company.

The following table presents the largest shareholders of the Combined Company based on the shareholdings in Valmet on August 30, 2021 and in Neles on August 30, 2021, assuming that all of Valmet's and Neles' shareholders are shareholders also at the completion of the Merger (excluding treasury shares of both Valmet and Neles). No nominee-registered shareholdings have been taken into account in the table below.

Shareholder	**Number of Shares**	**Percent of Shares and votes carried by the Shares**
Solidium Oy	16,695,287	9.1
Ilmarinen Mutual Pension Insurance Company	5,584,562	3.0
Cevian Capital Partners Limited	5,358,268	2.9
Alfa Laval AB (publ)	4,169,629	2.3
Elo Mutual Pension Insurance Company	3,073,144	1.7
OP Funds[1)]	2,373,117	1.3
The State Pension Fund of Finland	2,171,765	1.2
Varma Mutual Pension Insurance Company	2,141,251	1.2
Nordea Funds[2)]	950,367	0.5
Danske Invest Funds[3)]	830,000	0.5
Top 10 shareholders	43,347,390	23.5
Other shareholders	140,790,857	76.5
Total outstanding Shares and votes carried by the outstanding Shares (excluding treasury shares)	**184,138,247**	**100.0**

[1)] OP Funds comprises of OP-Suomi and OP-Suomi Pienyhtiöt funds.
[2)] Nordea Funds comprises of Nordea Pro Suomi, Nordea Suomi Passiivinen and Nordea Premium Varainhoito Kasvu funds.
[3)] Danske Invest Funds comprises of Danske Invest Finnish Equity Fund.

Financing

In order to support and finance the completion of the Merger, Valmet and Neles have entered into re- and back-up financing agreements with Danske Bank and Nordea on July 2, 2021. The Merger financing arrangements comprise of EUR 695 Million Facilities for Valmet and 301 Million Facility for Neles, which Danske Bank and Nordea as joint underwriters, coordinating bookrunners and mandated lead arrangers have arranged and underwritten in full. The EUR 695 Million Facilities include EUR 350 million term loan facilities for the purposes of refinancing existing indebtedness of Valmet and Neles (including Valmet's EUR 179 million loan related to the purchase of shares in Neles in the second half of 2020) in connection with the Merger ("**EUR 350 Million Facilities**") and EUR 345 million term loan facility to finance potential cash redemptions of Neles' shares ("**EUR 345 Million Facility**"). EUR 301 Million Facility is purposed to be used for financing of the Extra Distribution to Neles Shareholders.

Certain financing agreements relating to the existing debt of both Valmet and Neles continue to be valid (for further information, see "*– Certain Other Financing Arrangements*" below). Especially the existing financing agreements of Neles include customary clauses that impose limitations on completing certain corporate transactions, such as the Merger, as planned or at all. Moreover, such clauses may otherwise prevent or impose limitations on transferring the rights and obligations arising from such agreements without the consent or waiver of the other party. In such an event, the other party may have the right to terminate the agreement or accelerate credits or loans, even though the applicability of some of such clauses in a statutory merger is in some cases subject to interpretation and uncertainty. Certain of Neles' financing agreements may be prematurely accelerated due to the Merger. Neles seeks to obtain certain consents and waivers in respect of its existing indebtedness and such indebtedness in relation to which requisite consents have been obtained prior to the completion of the Merger, together with the indebtedness refinanced in connection therewith, will transfer to the Combined Company. Certain Valmet's existing financing arrangements may be cancelled and prematurely accelerated due to the completion of the Merger. Such financing arrangements of Valmet and Neles, that could possibly be accelerated, will be refinanced with EUR 695 Million Facilities.

Subject to the terms and conditions of the New Facilities Agreements, if the Merger has not been completed by December 31, 2022, the term loan facilities under the New Facilities Agreements will be cancelled. In accordance with the terms and conditions of the New Facilities Agreements, the term facilities will be available to the Combined Company as of the Effective Date provided that certain customary conditions precedent have been fulfilled. EUR 301 Million Facility and EUR 345 Million Facility will be terminated on a date falling twelve (12) months after the Effective Date subject to certain extension options. Facility A being EUR 100 million under EUR 350 Million Facilities has a termination date falling two (2) years after the Effective Date and Facility B being EUR 250 million of the same facility has a termination date falling four (4) years after the Effective Date, both of which are being subject to certain extension options.

The New Facilities Agreements will include usual terms concerning early repayment and cancellation. Certain of the New Facilities Agreements also include a requirement that the Combined Company must use all net proceeds received from issues on the capital markets (excluding, for example, commercial papers) and certain competition law disposals made or required to be made in connection with the Merger exceeding EUR 25 million for the cancellation of the available commitments and/or the early repayments towards loans borrowed under certain of the New Facilities Agreements in the manner defined in such agreements. The New Facilities Agreements will be substantially based on Valmet's existing financing arrangements (and regarding Neles' EUR 301 million term facility, Neles' existing financing arrangements until the completion of the Merger) and include customary covenants, customary undertakings, representations, events of default and acceleration clauses (with certain exceptions and conditions). The loans drawn under the New Facilities Agreements will be unsecured.

Nordea, BofA Securities, Access Partners and Morgan Stanley acting as the financial advisers, as well as other entities within the same groups, have provided to Valmet and Neles, and may provide to the Combined Company in the future, investment or other banking services in the ordinary course of their business.

Certain Other Financing Arrangements

On June 30, 2021, Valmet's non-current debt includes (i) EUR 145 million term loan facilities with European Investment Bank, which will gradually mature until 2029, and (ii) EUR 50 million loan facility with Nordic Investment Bank, which will mature in 2029. Valmet's current debt includes EUR 222 million term loan facilities.

Valmet's liquidity is additionally secured by a committed revolving credit facility of EUR 200 million, which matures in 2024, and an uncommitted commercial paper program of EUR 200 million. Both of these facilities were undrawn on June 30, 2021.

On June 30, 2021, Neles' interest bearing liabilities were EUR 218 million, including EUR 49 million in lease liabilities.

Neles' available additional funding consists of an undrawn, committed syndicated revolving credit facility of EUR 200 million and the EUR 200 million Finnish commercial paper program. In the second quarter of 2021, the termination date of the existing EUR 200 million revolving credit facility was extended by one year to June 30, 2024.

In July 2021, Neles signed an EUR 150 million bilateral term loan, the purpose of which is to refinance the existing EUR 150 million term loan maturing in July 2022. The tenor of the new loan is seven years. Neles Group has no public rating in any ratings agency.

VALMET'S CAPITALIZATION AND INDEBTEDNESS

The following table sets forth capitalization and indebtedness as at June 30, 2021, (i) of Valmet on an actual basis based on Valmet's unaudited consolidated half-year financial report as at and for the six months ended June 30, 2021, and (ii) of the Combined Company on a pro forma basis to give effect to the Merger assuming the Merger had been completed on June 30, 2021.

This table should be read in conjunction with "*Selected Consolidated Financial Information*", "*Unaudited Pro Forma Financial Information*", "*Information on the Combined Company – Financing*" and Valmet's and Neles' audited consolidated financial statements for the year ended December 31, 2020 and unaudited consolidated half-year financial reports as at and for the six months ended June 30, 2021, incorporated by reference into this Merger Prospectus.

	As at June 30, 2021 (unaudited)	
EUR million	**(i)**	**(ii)**
	Valmet historical	**Pro forma**
CAPITALIZATION		
Total current debt (including current portion of non-current debt)	**244**	**95**
Guaranteed / secured[1]	22	32
Unguaranteed / unsecured[2]	222	62
Total non-current debt (excluding current portion of non-current debt)	**232**	**808**
Guaranteed / secured[1]	37	75
Unguaranteed / unsecured[2]	195	733
Total equity	**1,144**	**2,503**
Share capital	100	140
Reserve for invested unrestricted equity	426	1,609
Cumulative translation adjustments	-27	-27
Hedge and other reserves	9	9
Retained earnings	631	767
Non-controlling interests	6	6
Total	**1,619**	**3,406**
INDEBTEDNESS		
(A) Cash and cash equivalents	431	526
(B) Other current financial assets	54	54
(C) Liquidity (A + B)	**484**	**580**
(D) Current financial debt	-	19
(E) Current portion of non-current financial debt	244	75
(F) Current financial indebtedness (D + E)	**244**	**95**
(G) Net current financial indebtedness (F - C)	**-241**	**-485**
(H) Non-current financial debt	232	808
(I) Non-current financial indebtedness (H)	**232**	**808**
(J) Total financial indebtedness (G + I)	**-9**[3]	**323**[4]

[1] Consists of lease liabilities as at June 30, 2021.
[2] Consist of current and non-current debt consisting of loans from financial institutions as at June 30, 2021.
[3] Valmet's definition for alternative performance measure net interest-bearing liabilities also includes non-current interest-bearing financial instruments of EUR 0 million included in non-current financial assets. Accordingly, the total net interest-bearing liabilities as defined by Valmet amounts to EUR -9 million as at June 30, 2021.
[4] The alternative performance measure pro forma net interest-bearing liabilities as defined for the Combined Company also includes non-current interest-bearing financial instruments of EUR 2 million as at June 30, 2021, and, consequently, the pro forma net interest-bearing liabilities as defined for the Combined Company amounted to a total of EUR 320 million. For further information on pro forma adjustments and accounting principles of Pro Forma Information, see "*Unaudited pro forma financial information*". The Pro Forma Information has been presented for illustrative purposes only. Therefore, the hypothetical financial position and results of operations included in the Pro Forma Information may differ from the Combined Company's actual financial position and results of operations. The Pro Forma Information is not intended to be indicative of any anticipated financial position or future results of operations as of any future date.

For more information on contractual obligations and contingent liabilities, see Valmet's and Neles' audited consolidated financial statements and unaudited consolidated half-year financial reports as at and for the six months ended on June 30, 2021 incorporated by reference into this Merger Prospectus.

There have not been any material changes in Valmet's capitalization and indebtedness between June 30, 2021 and the date of this Merger Prospectus.

Working Capital Statement

Valmet believes that the working capital available to it is sufficient to cover its needs for at least 12 months following the date of this Merger Prospectus.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

Selected Consolidated Financial Information of Valmet

The following tables present selected consolidated financial information of Valmet as at and for the financial year ended December 31, 2020, and as at and for the six months period ended June 30, 2021, and June 30, 2020. The selected consolidated financial information presented below has been derived from Valmet's audited consolidated financial statements as at and for the year ended December 31, 2020 prepared in accordance with IFRS as adopted by the EU and Valmet's unaudited consolidated half-year financial report as at and for the six months ended June 30, 2021 prepared in accordance with "IAS 34 – Interim Financial Reporting", including the unaudited comparative financial information for the six months ended June 30, 2020, both of which are incorporated by reference into this Merger Prospectus.

The selected consolidated financial information provided herein should be read together with "*Certain Matters – Presentation of Financial and Certain Other Information*" and Valmet's audited consolidated financial statements as at and for the year ended December 31, 2020 and unaudited consolidated half-year financial report as at and for the six months ended on June 30, 2021 incorporated by reference into this Merger Prospectus.

Consolidated Statement of Income

	For the six months ended June 30,		For the year ended December 31,
	2021	2020	2020
EUR million, unless otherwise indicated	**(unaudited)**	**(unaudited)**	**(audited)**
Net sales	1,801	1,740	3,740
Cost of goods sold	-1,345	-1,326	-2,844
Gross profit	**455**	**414**	**896**
Selling, general and administrative expenses	-296	-297	-571
Other operating income	14	7	17
Other operating expenses	-12	-20	-25
Share in profits and losses of associated companies, operative investments	-0	0	2
Operating profit	**161**	**104**	**319**
Financial income	3	3	4
Financial expenses	-6	-6	-15
Share in profits and losses of associated companies, financial investments	-	-2	-2
Profit before taxes	**158**	**100**	**307**
Income taxes, total	-37	-26	-75
Profit for the period	**121**	**74**	**231**
Attributable to			
Owners of the parent	121	74	231
Non-controlling interests	0	0	0
Profit for the period	**121**	**74**	**231**
Earnings per share attributable to owners of the parent			
Earnings per share, EUR	0.81	0.49	1.54
Diluted earnings per share, EUR	0.81	0.49	1.54

Consolidated Statement of Comprehensive Income

EUR million	For the six months ended June 30, 2021 (unaudited)	For the six months ended June 30, 2020 (unaudited)	For the year ended December 31, 2020 (audited)
Profit for the period	**121**	**74**	**231**
Items that may be reclassified to profit or loss:			
Cash flow hedges	-16	3	25
Currency translation on subsidiary net investments	13	-14	-24
Share of other comprehensive income of associated companies accounted for using equity method	1	-	-2
Income tax relating to items that may be reclassified	3	-1	-5
Total items that may be reclassified to profit or loss	**2**	**-12**	**-6**
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit plans	20	-20	-5
Income tax relating to items that will not be reclassified	-5	5	1
Total items that will not be reclassified to profit or loss	**15**	**-15**	**-5**
Other comprehensive income for the period	**17**	**-27**	**-11**
Total comprehensive income for the period	**138**	**47**	**221**
Attributable to			
Owners of the parent	137	47	221
Non-controlling interests	1	-	-
Total comprehensive income for the period	**138**	**47**	**221**

Consolidated Statement of Financial Position

ASSETS	As at June 30,		As at December 31,
	2021	2020	2020
EUR million	(unaudited)	(unaudited)	(audited)
Non-current assets			
Intangible assets			
Goodwill	716	687	711
Other intangible assets	270	251	272
Total intangible assets	**986**	**938**	**983**
Property, plant and equipment			
Land and water areas	25	26	25
Buildings and structures	122	119	124
Machinery and equipment	181	171	178
Leased assets	63	68	66
Assets under construction	59	49	48
Total property, plant and equipment	**450**	**432**	**441**
Other non-current assets			
Investments in associated companies	458	12	468
Non-current financial assets	15	14	23
Deferred tax assets	77	80	61
Non-current income tax receivables	25	28	27
Other non-current assets	15	14	14
Total other non-current assets	**590**	**148**	**592**
Total non-current assets	**2,027**	**1,519**	**2,016**
Current assets			
Inventories			
Materials and supplies	79	88	89
Work in progress	426	352	355
Finished products	141	106	110
Total inventories	**646**	**546**	**553**
Receivables and other current assets			
Trade receivables	557	487	602
Amounts due from customers under revenue contracts	217	252	229
Other current financial assets	90	79	124
Income tax receivables	33	30	28
Other receivables	144	113	133
Cash and cash equivalents	431	518	274
Total receivables and other current assets	**1,471**	**1,480**	**1,389**
Total current assets	**2,118**	**2,026**	**1,943**
Total assets	**4,144**	**3,544**	**3,959**

Consolidated Statement of Financial Position

EQUITY AND LIABILITIES	As at June 30,		As at December 31,
	2021	**2020**	**2020**
EUR million	**(unaudited)**	**(unaudited)**	**(audited)**
Equity			
Share capital	100	100	100
Reserve for invested unrestricted equity	426	423	423
Cumulative translation adjustments	-27	-31	-40
Hedge and other reserves	9	4	21
Retained earnings	631	465	633
Equity attributable to owners of the parent	**1,138**	**961**	**1,137**
Non-controlling interests	**6**	**6**	**6**
Total equity	**1,144**	**967**	**1,142**
Liabilities			
Non-current liabilities			
Non-current debt	195	238	417
Non-current lease liabilities	37	42	40
Post-employment benefits	182	211	201
Non-current provisions	35	38	47
Other non-current liabilities	7	13	18
Deferred tax liabilities	65	57	65
Total non-current liabilities	**521**	**599**	**789**
Current liabilities			
Current debt	222	58	18[1)]
Current lease liabilities	22	23	22
Trade payables	320	331	372
Current provisions	180	147	164
Amounts due to customers under revenue contracts	1,202	989	1,002
Other current financial liabilities	23	17	29
Income tax liabilities	68	64	65
Other current liabilities	443	349	357
Total current liabilities	**2,480**	**1,978**	**2,029**
Total liabilities	**3,001**	**2,577**	**2,817**
Total equity and liabilities	**4,144**	**3,544**	**3,959**

[1)] Include balances presented on line current portion of non-current debt as at December 31, 2020

Consolidated Statement of Cash Flows

	For the six months ended June 30,		For the year ended December 31,
	2021	2020	2020
EUR million	**(unaudited)**	**(unaudited)**	**(audited)**
Cash flows from operating activities			
Profit for the period	121	74	231
Adjustments			
Depreciation and amortization	60	52	106
Financial income and expenses	2	3	11
Income taxes	37	26	75
Other non-cash items	-23	8	27
Change in net working capital	184	207	160
Interest paid	-4	-4	-8
Interest received	3	1	4
Income taxes paid	-53	-44	-75
Net cash provided by (+) / used in (-) operating activities	**328**	**324**	**532**
Cash flows from investing activities			
Capital expenditures on fixed assets	-47	-44	-89
Proceeds from sale of fixed assets	1	-	1
Business combinations, net of cash acquired and loans repaid	1	-	-48
Investments in associated companies	10	-	-456
Net cash provided by (+) / used in (-) investing activities	**-35**	**-44**	**-592**
Cash flows from financing activities			
Redemption of own shares	-3	-6	-6
Dividends paid	-135	-105	-120
Proceeds from non-current debt	100	150	329
Repayments of non-current debt	-119	-101	-101
Repayments of lease liabilities	-13	-13	-26
Change in current debt	-	40	-
Financial investments	23	-39	-48
Net cash provided by (+) / used in (-) financing activities	**-145**	**-74**	**28**
Net increase (+) / decrease (-) in cash and cash equivalents	147	206	-32
Effect of changes in exchange rates on cash and cash equivalents	10	-3	-10
Cash and cash equivalents at beginning of year	274	316	316
Cash and cash equivalents at end of year	**431**	**518**	**274**

Net Sales by Business Lines

	For the six months ended June 30,		For the year ended December 31,
	2021	2020	2020
EUR million	**(unaudited)**	**(unaudited)**	**(audited)**
Services	628	617	1,327
Automation	131	146	335
Pulp and Energy	469	506	1,003
Paper	574	472	1,076
Total	**1,801**	**1,740**	**3,740**

Financial Indicators

EUR million, unless otherwise indicated	As at and for the six months ended June 30, 2021 (unaudited)	As at and for the six months ended June 30, 2020 (unaudited)	As at and for the year ended December 31, 2020 (unaudited, unless otherwise indicated)
Net sales	1,801	1,740	3,740[1)]
Net sales change, %	3%	10%	5%
Comparable EBITA	175	128	365
% of net sales	9.7%	7.4%	9.8%
EBITA	186	121	355
% of net sales	10.3%	6.9%	9.5%
Operating profit	161	104	319[1)]
% of net sales	8.9%	6.0%	8.5%
Profit before taxes	158	100	307[1)]
% of net sales	8.8%	5.7%	8.2%
Profit for the period	121	74	231[1)]
% of net sales	6.7%	4.3%	6.2%
Profit attributable to owners of the parent	121	74	231[1)]
Amortization	-25	-16	-36
Depreciation, property, plant and equipment (excl. leased assets)	-23	-24	-47
Depreciation, leased assets	-12	-12	-24
Depreciation and amortization	-60	-52	-106[1)]
% of net sales	-3.3%	-3.0%	-2.8%
Cash flow provided by operating activities	328	324	532[1)]
Cash flow after investments	293	280	-60
Gross capital expenditure (excl. business combinations and leased assets)	-47	-44	-89
Business combinations, net of cash acquired and loans repaid	1	-	-48[1)]
Investments in associated companies	10	-	-456[1)]
Total assets	4,144	3,544	3,959[1)]
Equity attributable to owners of the parent	1,138	961	1,137[1)]
Total equity	1,144	967	1,142[1)]
Interest-bearing liabilities	475	361	497
Net interest-bearing liabilities	-9	-223	149
Net working capital (NWC)	-764	-658	-588
Return on equity (ROE),	21%	15%	21%
Comparable return on capital employed (ROCE) before taxes, %	19%	17%	22%
Return on capital employed (ROCE) before taxes, %	20%	16%	22%
Equity to assets ratio, %	39%	38%	39%
Gearing, %	-1%	-23%	13%
Orders received	2,540	2,013	3,653
Order backlog at end of year	4,019	3,492	3,257
Average number of personnel	14,099	13,575	13,615
Personnel at end of period	14,362	13,626	14,046

1) Audited.

The Definitions of Financial Key Indicators

Key figure	Definition
Operating profit	Net sales - cost of goods sold - selling, general and administrative expenses + other operating income - other operating expenses - share in profits and losses of associated companies, operative investments
EBITA	Operating profit + amortization
Comparable EBITA	Operating profit + amortization +/- items affecting comparability
Items affecting comparability	Items affecting comparability consist of income and expenses arising from activities that amend the capacity of Valmet's operations, such as restructuring costs, and gains or losses on sale of businesses or non-current assets, and income and expenses incurred outside Valmet's normal course of business, such as transaction costs related to business combinations and the contemplated Merger, expenses arising from fair value adjustments recognized in business combinations, share in profits and losses of associated companies, operative investments and any gain or loss recorded at derecognition, impairment charges, income and expenses recorded as a result of settlement payments to/from third parties as well as income and expenses arising from changes in legislation expected to be recorded in different reporting periods which consequently affect Valmet temporarily only (e.g. customs or other tariffs imposed by authorities on Valmet's products).
Interest-bearing liabilities	Non-current debt + non-current lease liabilities + current debt + current lease liabilities
Net interest-bearing liabilities	Interest-bearing liabilities - cash and cash equivalents - non-current interest-bearing financial assets - current interest-bearing financial assets
Net working capital (NWC)	Non-current trade receivables + other non-current assets + inventories + trade receivables + amounts due from customers under revenue contracts + derivative financial instruments (assets) + other receivables - post-employment benefits - provisions - other non-current non-interest-bearing liabilities - trade payables - amounts due to customers under revenue contracts - derivative financial instruments (liabilities) - other current liabilities
Return on equity (ROE), %[1)]	$\frac{\text{Profit for the period}}{\text{Total equity (average for period)}} \times 100$
Comparable return on capital employed (ROCE) before taxes, %[1)]	$\frac{\text{Profit before taxes + interest and other financial expenses +/- items affecting comparability}}{\text{Balance sheet total - non-interest-bearing liabilities (average for the period)}} \times 100$
Return on capital employed (ROCE) before taxes, %[1)]	$\frac{\text{Profit before taxes + interest and other financial expenses}}{\text{Balance sheet total - non-interest-bearing liabilities (average for period)}} \times 100$
Equity to assets ratio, %	$\frac{\text{Total equity}}{\text{Balance sheet total – amounts due to customers under revenue contracts}} \times 100$
Gearing, %	$\frac{\text{Net interest-bearing liabilities}}{\text{Total equity}} \times 100$
Gross capital expenditure (excl. business combinations and leased assets)	Capital expenditures on fixed assets excluding business combinations and leased assets
Cash flow after investments	Net cash provided by (+) / used in (-) operating activities after adding net cash provided by (+) / used in (-) investing activities
Business combinations, net of cash acquired and loans repaid	As defined in the consolidated statement of cash flows
Investments in associated companies	As defined in the consolidated statement of cash flows

[1)] Also presented on an annualized basis by multiplying the numerator by two.

Reconciliation of Alternative Performance Measures

Reconciliation of Comparable EBITA and EBITA

EUR million	For the six months ended June 30, 2021 (unaudited)	For the six months ended June 30, 2020 (unaudited)	For the year ended December 31, 2020 (unaudited, unless otherwise indicated)
Comparable EBITA	**175**	**128**	**365**
Items affecting comparability in cost of sales			
Expenses related to capacity adjustments	-	-2	-6
Expensing of fair value adjustments recognized in business combinations	-1	-1	-1
Other items affecting comparability	1	-1	-1
Items affecting comparability in selling, general and administrative expenses			
Expenses related to capacity adjustments	-0	-3	-5
Expenses related to acquisitions	-1	-	-1
Other items affecting comparability	-0	-	-0
Items affecting comparability in other operating income and expenses			
Expenses related to capacity adjustments	-	-	-
Other items affecting comparability	6[1)]	-0	2
Items affecting comparability in share in profits and losses of associated companies, operative investments			
Other items affecting comparability	7	-	3
EBITA	**186**	**121**	**355**
Amortization included in cost of sales			
Other intangibles	-0	-	-1
Amortization included in selling, general and administrative expenses			
Intangibles recognized in business combinations	-10	-10	-19
Other intangibles	-8	-7	-13
Amortization included in share in profits and losses of associated companies, operative investments			
Other intangibles	-7	-	-2
Operating profit	**161**	**104**	**319**[2)]

[1)] Comprises profits related to real estate arrangements for the six months ended June 30, 2021.
[2)] Audited

Reconciliation of Gearing

EUR million, unless otherwise indicated	As at June 30, 2021 (unaudited)	As at June 30, 2020 (unaudited)	As at December 31, 2020 (audited, unless otherwise indicated)
Net Interest-bearing liabilities			
Non-current debt	195	238	417
Non-current lease liabilities	37	42	40
Current debt	222	58	18
Current lease liabilities	22	23	22
Interest-bearing liabilities	**475**	**361**	**497**[1]
Cash and cash equivalents	-431	-518	-274
Non-current interest-bearing financial instruments	-0	-0	-0[1]
Other interest-bearing assets	-54	-65	-73[1]
Net Interest-bearing liabilities	**-9**	**-223**	149[1]
Total equity	1,144	967	1,142
Gearing, %	-1%	-23%	13%[1]

[1] Unaudited

Reconciliation of Return on Capital Employed (ROCE) Before Taxes and Comparable Return on Capital Employed (ROCE) Before Taxes

EUR million, unless otherwise indicated	As at and for the six months ended June 30, 2021 (unaudited)	As at and for the six months ended June 30, 2020 (unaudited)	As at and for the year ended December 31, 2020 (unaudited, unless otherwise indicated)
Profit before taxes	**158**	**100**	**307**[1]
Interest and other financial expenses	5	5	12
Profit before taxes + interest and other financial expenses	**164**	**105**	**319**
Items affecting comparability	-11	7	10
Profit before taxes + interest and other financial expenses +/- items affecting comparability	**153**	**112**	**329**
Total liabilities (average for period)	-2,909	-2,492	-2,612
Interest-bearing liabilities (average for period)	486	314	382
Non-interest-bearing liabilities (average for period)	**-2,423**	**-2,178**	**-2,230**
Balance sheet total (average for period)	4,052	3,498	3,706
Balance sheet total - non-interest-bearing liabilities (average for the period)	**1,629**	**1,320**	**1,476**
Return on capital employed (ROCE) before taxes, %	20%	16%	22%
Comparable return on capital employed (ROCE) before taxes, %	19%	17%	22%

[1] Audited

Significant Change in the Financial Position of Valmet

In Valmet's view there has not been any significant change in the financial position or result of operations since June 30, 2021 and to the date of this Merger Prospectus.

Selected Consolidated Financial Information of Neles

The following tables present selected consolidated financial information of Neles as at and for the financial year ended December 31, 2020, and as at and for the six months period ended June 30, 2021, and June 30, 2020. The selected consolidated financial information presented below has been derived from Neles' audited consolidated financial statements as at and for the year ended December 31, 2020 prepared in accordance with IFRS as adopted by the EU and Neles' unaudited consolidated half-year financial report as at and for the six months ended June 30, 2021 prepared in accordance with "IAS 34 – Interim Financial Reporting", including the unaudited comparative financial information for the six months ended June 30, 2020, both of which are incorporated by reference into this Merger Prospectus.

The selected consolidated financial information provided herein should be read together with "*Certain Matters – Presentation of Financial and Certain Other Information*" and Neles' audited consolidated financial statements as at and for the year ended December 31, 2020 and unaudited consolidated half-year financial report as at and for the six months ended on June 30, 2021 incorporated by reference into this Merger Prospectus.

Consolidated Statement of Income, IFRS

	For the six months ended June 30,		For the year ended December 31,
	2021	**2020**	**2020**
EUR million, unless otherwise indicated	**(unaudited)**	**(unaudited)**	**(audited)**
Continuing operations			
Sales	275	277	576
Cost of goods sold	-187	-183	–386
Gross profit	**88**	**94**	**190**
Selling and marketing expenses	-30	-36	-65
Administrative expenses	-16	-16	-39
Research and development expenses	-7	-8	-14
Other operating income and expenses, net	-3	-1	-2
Operating profit	**32**	**32**	**70**
Financial income			1
Foreign exchange gains/losses			-1
Financial expenses			-7
Financial income and expenses, net	**-3**	**-3**	**-6**
Profit before taxes	**30**	**29**	**64**
Income taxes	-7	-7	-16
Profit from continuing operations	**22**	**22**	**48**
Profit from discontinued operations	-	2,150	2,150
Profit for the period	**22**	**2,171**	**2,198**
Profit from continuing operations attributable to			
Shareholders of the parent company	22	22	48
Non-controlling interests	-	-	-
Profit from discontinued operations attributable to			
Shareholders of the parent company	-	2,150	2,150
Non-controlling interests	-	0	0
Profit attributable to			
Shareholders of the parent company	22	2,171	2,198
Non-controlling interests	-	0	0
Earnings per share for continuing operations			
Basic and diluted, EUR	0.15	0.14	0.32
Earnings per share for discontinued operations			
Basic and diluted, EUR	-	14.32	14.31
Earnings per share			
Basic and diluted, EUR	0.15	14.46	14.63

Consolidated Statement of Comprehensive Income, IFRS

EUR million	For the six months ended June 30, 2021 (unaudited)	For the six months ended June 30, 2020 (unaudited)	For the year ended December 31, 2020 (audited)
Continuing operations			
Profit for the period	22	22	48
Other comprehensive income			
Measurement at fair value, net of tax	-	0	-
Currency translation on subsidiary net investments	7	0	-16
Items that may be reclassified to profit or loss in subsequent periods:	7	0	**-16**
Defined benefit plan actuarial gains and losses, net of tax	-	0	2
Items that will not be reclassified to profit or loss	-	0	**2**
Other comprehensive income	7	0	**-13**
Total comprehensive income from continuing operations	**30**	**22**	**35**
Profit from continuing operations attributable to			
Shareholders of the parent company	30	22	35
Non-controlling interests	-	-	-
Discontinued operations			
Profit for the period	-	2,150	2,150
Other comprehensive income	-	-52	-52
Total comprehensive income from discontinued operations	**-**	**2,097**	**2,098**
Profit from discontinued operations attributable to			
Shareholders of the parent company	-	2,097	2,098
Non-controlling interests	-	0	0
Total comprehensive income	**30**	**2,119**	**2,133**
Attributable to			
Shareholders of the parent company	30	2,121	2,133
Non-controlling interests	-	-2	0

Consolidated Balance Sheet, IFRS – Assets

ASSETS	As at June 30,		As at December 31,
	2021	2020	2020
EUR million	**(unaudited)**	**(unaudited)**	**(audited)**
Non-current assets			
Intangible assets			
Goodwill	58	60	57
Other intangible assets	17	17	17
Total intangible assets	**75**	**78**	**74**
Tangible assets			
Land and water areas	6	6	6
Buildings and structures	22	19	22
Machinery and equipment	32	26	30
Assets under construction	1	13	4
Total tangible assets	**61**	**64**	**62**
Right-of-use assets	47	41	51
Other non-current assets			
Non-current financial assets	2	0	0
Deferred tax assets	18	17	18
Other non-current receivables	12	2	12
Total other non-current assets	**32**	**19**	**31**
Total non-current assets	**215**	**201**	**217**
Current assets			
Inventories	177	181	160
Trade receivables	84	96	89
Derivative financial instruments	-	0	0
Income tax receivables	5	2	4
Other current receivables	39	37	37
Cash and cash equivalents	128	114	136
Total current assets	**433**	**430**	**426**
TOTAL ASSETS	**648**	**632**	**644**

Consolidated Balance Sheet, IFRS – Equity and Liabilities

EQUITY AND LIABILITIES	As at June 30,		As at December 31,
	2021	2020	2020
EUR million	**(unaudited)**	**(unaudited)**	**(audited)**
Equity			
Share capital	51	51	51
Treasury shares	-3	-3	-3[1]
Cumulative translation adjustments	43	52	36
Fair value and other reserves	30	31	31[1]
Retained earnings	138	121	148
Equity attributable to shareholders	**259**	**252**	**263**
Non-controlling interests	**0**	**1**	**0**
Total equity	**259**	**253**	**263**
Liabilities			
Non-current liabilities			
Interest bearing liabilities	150	150	150
Lease liabilities	38	32	41
Post-employment benefit obligations	22	14	21
Provisions	1	1	2
Deferred tax liabilities	4	4	3
Other non-current liabilities	0	0	0
Total non-current liabilities	**216**	**201**	**216**
Current liabilities			
Interest bearing liabilities	19	22	16
Lease liabilities	11	9	11
Trade payables	54	54	60
Provisions	10	11	9
Advances received	32	24	27
Derivative financial instruments	1	0	1
Income tax liabilities	6	7	5
Other current liabilities	40	51	35
Total current liabilities	**173**	**178**	**164**
Total liabilities	**389**	**379**	**381**
TOTAL EQUITY AND LIABILITIES	**648**	**632**	**644**

[1] Unaudited

Consolidated Statement of Cash Flows, continuing operations

EUR million	For the six months ended June 30, 2021 (unaudited)	For the six months ended June 30, 2020[1)] (unaudited)	For the year ended December 31, 2020[1)] (audited)
Operating activities			
Profit for the period	22	22	48
Adjustments			
Depreciation and amortization	12	12	24
Financial income and expenses, net	3	3	6
Income taxes	7	7	16
Other items	3	-13	-13
Change in net working capital[2)]	-6	-6	17
Net cash flow from operating activities before financial items and taxes	**41**	**25**	99
Financial income and expenses paid, net	-3	-1	-6
Income taxes paid	-7	-1	-12
Net cash flow from operating activities	**31**	**23**	**81**
Investing activities			
Capital expenditures on intangible and tangible assets	-4	-8	-13
Proceeds from sale of intangible and tangible assets	0	0	0
Net cash flow from investing activities	**-4**	**-8**	**-12**
Financing activities			
Dividends paid	-33	-39	-44
Investments in financial assets	0	-	0
Change in loan receivables, net	-2	-	-
Proceeds from / repayments of short-term debt, net	3	3	-2
Repayments of lease liabilities	-6	-4	-11
Equity financing, Metso Group[2)]	-	84	71
Net cash flow from financing activities	**-37**	**44**	**13**
Net change in cash and cash equivalents	**-9**	**59**	81
Effect from changes in exchange rates	1	-1	-2
Cash and cash equivalents at beginning of period	**136**	**57**	57
Cash and cash equivalents at end of period	**128**	**114**	**136**

1) For the periods 1-6/2020 and 1-12/2020 cash flows are for Neles continuing operations, which are calculated based on Neles carve-out figures for the period 1-6/2020.
2) For the period 1-12/2020 carve-out related items are excluded from Change in net working capital and presented in Financing, Metso Group

Sales by market area

EUR million	For the six months ended June 30, 2021 (unaudited)	For the six months ended June 30, 2020 (unaudited)	For the year ended December 31, 2020 (audited)
EMEIA	106	104	223
North America	91	92	166
South America	28	23	57
Asia Pacific	49	58	130
Total	**275**	**277**	**576**

Key figures

EUR million, unless otherwise indicated	As at and for the six months ended June 30,		As at and for the year ended December 31,
	2021	2020	2020
	(unaudited)	(unaudited)	(unaudited, unless otherwise indicated)
Orders received	305	322	590
Order backlog at end of period	304	305	270
Sales	275	277	576[1]
Exports from Finland and international operations			541
% of sales			93.9
Operating profit	32	32	70[1]
% of sales	11.8	11.7	12.2
Profit before taxes	30	29	64[1]
% of sales	10.8	10.5	11.1
Profit for the period, continuing operations	22	22	48[1]
% of sales	8.2	7.8	8.4
Profit for the period, discontinued operations	-	2,150	2,150[1]
Profit attributable to shareholders of the company	22	2,171	2,198[1]
Amortization	2	2	3[1]
Depreciation	5	5	9[1]
Depreciation of right-of-use assets	6	6	12[1]
Depreciation and amortization, total	12	12	24[1]
EBITA	34	34	74
% of sales	12.3	12.2	12.8
EBITDA	44	44	95
% of sales	16.2	16.0	16.4
Adjustment items	1	6	11
EBITA, adjusted	35	40	85
% of sales	12.7	14.3	14.8
EBITDA, adjusted	45	50	106
% of sales	16.5	18.0	18.4
Financial expenses, net	3	3	6
% of sales	1.0	1.1	1.1
Gross capital expenditure	4	8	13
% of sales	1.4	2.9	2.2
Net capital expenditure	4	8	12
% of sales	1.3	2.9	2.2
Net cash flow from operating activities	31	23	81[1]
Free cash flow	28	15	69
Cash conversion, %	124	68	142
Research and development	8	10	18[1]
% of sales	3.0	3.6	3.1
Balance sheet total	648	632	644[1]
Equity attributable to shareholders	259	252	263[1]
Total equity	259	253	263[1]
Interest bearing liabilities	218	213	217[1]
Net interest bearing liabilities	88	99	81[1]
Net debt / EBITDA, rolling 12 months, %	0.9	1.0	0.9
Net working capital (NWC)	152	160	144[1]
% of sales			24.9
Capital employed			480[1]
Return on equity (ROE), %			18.7
Return on capital employed (ROCE) before taxes, %			15.6[1]
Return on capital employed (ROCE) after taxes, %			12.1[1]
Equity to assets ratio, %	42.1	41.4	42.6
Gearing, %	33.9	39.1	30.9
Debt to capital, %	45.6	45.7	45.2
Personnel at end of the period	2,878	2,950	2,840

[1] Audited.

The Definitions and Reasoning for the Use of Financial Key Indicators

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. Adjusting items comprise of costs related to the demerger and setting up Neles business area as an independent company, capacity adjustment costs, merger and acquisition costs, outcome of material intellectual property rights disputes, gains and losses on business disposals, and other infrequent events. Alternative performance measures, however, should not be considered as a substitute for measures of performance in accordance with the IFRS.

Key figure		***Formula***	
Earnings before financial expenses net, taxes, amortization and depreciation (EBITDA)	=	Operating profit + amortization and depreciation	
Earnings before financial expenses net, taxes, amortization and depreciation, adjusted (adjusted EBITDA)	=	Operating profit + adjustment items + amortization and depreciation	
Earnings before financial expenses, net, taxes and amortization (EBITA)	=	Operating profit + amortization	
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 equity (ROE), %	=	$\frac{\text{Profit for the period}}{\text{Total equity (average for the period)}}$	x 100
Return on capital employed (ROCE) before taxes, %	=	$\frac{\text{Profit before tax + financial expenses}}{\text{Capital employed (average for the period)}}$	x 100
Return on capital employed (ROCE) after taxes, %	=	$\frac{\text{Profit for the period + financial expenses}}{\text{Capital employed (average for the period)}}$	x 100
Gearing, %	=	$\frac{\text{Net interest bearing liabilities}}{\text{Total equity}}$	x 100
Debt to capital, %	=	$\frac{\text{Interest bearing liabilities}}{\text{Total equity + interest bearing liabilities}}$	x 100

Equity to assets ratio, %	=	$\frac{\text{Total equity}}{\text{Balance sheet total – advances received}}$	x 100
Free cash flow	=	Net cash flow from operating activities – investment in intangible and tangible assets + proceeds from sale of intangible and tagible assets	
Cash conversion, %	=	$\frac{\text{Free cash flow}}{\text{Profit for the period}}$	x 100
Interest bearing liabilities	=	Interest bearing liabilities, non-current and current + lease liabilities, non-current and current	
Net interest bearing liabilities	=	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, %	=	$\frac{\text{Net debt}}{\text{EBITDA}}$	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	

Reconciliation of adjusted EBITDA, adjusted EBITA and operating profit

	For the six months ended June 30,		**For the year ended December 31,**
	2021	**2020**	**2020**
EUR million, unless otherwise indicated	**(unaudited)**	**(unaudited)**	**(unaudited, unless otherwise indicated)**
Adjusted EBITDA	**45**	**50**	**106**
% of sales	16.5	18.0	18.4
Depreciation	-5	-5	-9[1)]
Depreciation of right-of-use assets	-6	-6	-12[1)]
Adjusted EBITA	35	40	85
% of sales	12.7	14.3	14.8
Amortizations	-2	-2	-3[1)]
Adjustments			
- Restructuring costs	-	-0	-1
- Rebranding and establishing costs	-	-5	-10
- Merger and acquisition costs	-1	-	-
Adjustments, total	-1	-6	-11
Operating profit	**32**	**32**	**70**[1)]
% of sales	11.8	11.7	12.2

[1)] Audited

Reconciliation of gearing

	As at June 30,		As at December 31,
	2021	**2020**	**2020**
EUR million, unless otherwise indicated	**(unaudited)**	**(unaudited)**	**(audited, unless otherwise indicated)**
Net interest bearing liabilities			
Non-current financial liabilities	150	150	150
Non-current lease liabilities	38	32	41
Current financial liabilities	19	22	16
Current lease liabilities	11	9	11
Interest bearing liabilities	**218**	**213**	**217**
Non-current interest bearing financial assets	-2	-	-
Other interest bearing assets	-0	-	-
Cash and cash equivalents	-128	-114	-136
Net interest bearing liabilities	**88**	**99**	**81**
Total equity	259	253	263
Gearing (%)	33.9	39.1	30.9[1)]

[1)] Unaudited

Reconciliation of net working capital and capital employed

	As at June 30,		As at December 31,
	2021	**2020**	**2020**
EUR million, unless otherwise indicated	**(unaudited)**	**(unaudited)**	**(audited)**
Net working capital			
Inventories	177	181	160
Trade receivables	84	96	89
Other non-interest-bearing receivables	51	39	49
Trade payables	-54	-54	-60
Advances received	-32	-24	-27
Other non-interest-bearing liabilities	-75	-78	-68
Net working capital	**152**	**160**	**144**
Capital employed			
Net working capital			144
Intangible assets			74
Tangible assets			62
Right-of-use assets			51
Non-current investments			0
Cash and cash equivalents			136
Tax receivables, net			14
Interest payables, net			0
Capital employed			**480**

Significant Change in the Financial Position of Neles

In Neles' view there has not been any significant change in the financial position or result of operations since June 30, 2021 and to the date of this Merger Prospectus.

UNAUDITED PRO FORMA FINANCIAL INFORMATION

Basis of Compilation

General

The following pro forma combined financial information (the "**Pro Forma Information**") is presented for illustrative purposes only to give effect to the Merger of Valmet and Neles to Valmet's financial information as if the Merger had been completed at an earlier date. The Pro Forma Information is unaudited.

The Pro Forma Information has been presented for illustrative purposes only. The hypothetical financial position and results included in the Pro Forma Information may differ from the Combined Company's actual financial position and results. Further, the Pro Forma Information does not purport to project the financial position or results of the Combined Company as of any future date. In addition, the Pro Forma Information does not reflect any cost savings, synergy benefits or future integration costs that are expected to be generated or may be incurred as a result of the Merger.

The Pro Forma Information has been compiled in accordance with the Annex 20 to the Commission Delegated Regulation (EU) 2019/980, and on a basis consistent with the accounting principles applied by Valmet in its consolidated financial statements prepared in accordance with IFRS. The Pro Forma Information has not been compiled in accordance with Article 11 of Regulation S-X under the U.S. Securities Act or the guidelines established by the American Institute of Certified Public Accountants.

Basis of presentation

The pro forma statements of income for the six months ended June 30, 2021 and for the year ended December 31, 2020 give effect to the Merger as if it had occurred on January 1, 2020. The pro forma statement of financial position as at June 30, 2021 gives effect to the Merger as if it had occurred on that date.

The Pro Forma Information reflects adjustments to the historical financial information to give pro forma effect to events that are directly attributable to the Merger and are factually supportable. The pro forma adjustments include certain assumptions related to the fair value of the purchase consideration, the fair valuation of the net assets acquired, accounting policy alignments, financing arrangements and other events related to the Merger, described in the accompanying notes to the Pro Forma Information below, that the management believes are reasonable under the circumstances. Considering the ongoing regulatory approval processes which restrict Valmet's access to detailed data of Neles and the fact that the final accounting measures of the Merger can only be done at the Effective Date, the pro forma adjustments presented herein are preliminary and based on information available at this time. The Pro Forma Information is subject to change, among others, due to the final fair value of the Merger consideration and Valmet's previously held equity interest in Neles being determined based on the then-current fair value of Valmet's share as at the Effective Date and the final purchase price allocation being based on the fair values of Neles' assets acquired and liabilities assumed as at the Effective Date. Further, Valmet is able to conduct a detailed review of Neles' accounting policies only after the Effective Date due to restrictions on information sharing before the Merger. There can be no assurance that the assumptions used in the preparation of the Pro Forma Information or presenting Neles' financial information in the Pro Forma Information in Valmet's presentation format will prove to be correct. The actual results of the Merger may materially differ from the assumptions used and the pro forma adjustments reflected in the Pro Forma Information. Further, the accounting policies to be applied by the Combined Company in the future may differ from the accounting policies applied in the Pro Forma Information.

The Merger will be accounted for as a business combination in accordance with the acquisition method of accounting under the provisions of "IFRS 3 – Business Combinations", with Valmet determined as the acquirer of Neles. The acquisition method of accounting applies the fair value concepts defined in "IFRS 13 – Fair Value Measurement", and requires, among other things, that the identifiable assets acquired and liabilities assumed in a business combination are recognized at their fair values as of the acquisition date, with any excess of the purchase consideration over the fair value of identifiable net assets acquired recognized as goodwill.

As Valmet holds an equity interest in Neles prior to the Merger, the Merger is accounted for as a business combination achieved in stages. In the Merger, Valmet's previously held equity interest in Neles will be remeasured to fair value at the Effective Date and a gain or loss will be recognized in the consolidated statement of income of Valmet at the Effective Date. The preliminary purchase price allocation presented herein has been made solely for the purpose of preparing this Pro Forma Information.

Combination of Valmet and Neles through the Merger

On July 2, 2021, the Boards of Directors of Valmet and Neles agreed upon the combination of the two companies by signing the Combination Agreement and the Merger Plan, according to which Neles shall be merged into Valmet through a statutory absorption merger in accordance with the Finnish Companies Act, and all assets and liabilities of Neles shall be transferred without a liquidation procedure to Valmet. The Boards of Directors of Valmet and Neles have on August 9, 2021 proposed that the EGMs of Valmet and Neles convened to be held on September 22, 2021 would resolve upon the Merger as set forth in the Merger Plan. Information on the conditions to the completion of the Merger included in the Combination Agreement and the Merger Plan is presented in sections "– *Combination Agreement – Conditions to the Completion of the Merger*" and in the Merger Plan, which is attached to this Merger Prospectus as Annex D. Furthermore, it is required for the completion of the Merger that the Combination Agreement has not been terminated in accordance with its provisions, and that the execution of the Merger is registered with the Finnish Trade Register. The planned Effective Date of the Merger is January 1, 2022, however, subject to the fulfilment of the preconditions in accordance with the Finnish Companies Act and the conditions for executing the Merger included in the Combination Agreement and the Merger Plan.

Upon completion of the Merger, Neles' shareholders (excluding Valmet as well as Neles with respect to treasury shares held by Neles) will receive as Merger Consideration 0.3277 new shares in Valmet for each share they hold in Neles at the end of the last trading day preceding the Effective Date, corresponding to a post-completion ownership of Shares and votes carried by Shares in the Combined Company of approximately 18.8 percent for Neles shareholders and approximately 81.2 percent for Valmet shareholders, assuming that none of Neles shareholders demands redemption of his/her/their shares at the EGM of Neles resolving on the Merger and that no additional shares are issued by Valmet or Neles. Based on the situation on the date of this Merger Prospectus, the total number of Merger Consideration Shares is expected to be 34,664,986 shares (excluding shares held by Valmet as well as treasury shares held by Neles and assuming that none of Neles' shareholders will demand redemption of his/her/their shares at the EGM of Neles resolving on the Merger). For pro forma purposes, the total number of Merger Consideration Shares is assumed to be 34,664,986 shares.

Pursuant to the Merger Plan, Neles may distribute to its shareholders an extra distribution of funds in the amount of up to EUR 2.00 per share either as dividend or return of equity or a combination of the aforementioned prior to the Effective Date. The Board of Directors of Neles proposed on August 9, 2021 to its EGM resolving on the Merger that the Board of Directors be authorized to resolve on the payment of the extra distribution of funds in the amount of up to EUR 2.00 per share before the completion of the Merger. Valmet and Neles have preliminarily agreed that the part of the potential extra distribution of funds that would be paid to Valmet would not be paid in cash but would remain as a dividend liability, which would be eliminated in the Merger. In the Pro Forma Information, the extra distribution of funds in the amount of EUR 2.00 per share has been adjusted as if distributed and paid or settled.

In order to support and finance the completion of the Merger, Valmet and Neles have entered into re- and back-up financing agreements with Danske Bank and Nordea on July 2, 2021. The Merger financing arrangements comprise EUR 695 Million Facilities for Valmet and a EUR 301 Million Facility for Neles, which Danske Bank and Nordea as joint underwriters, coordinating bookrunners and mandated lead arrangers have arranged and underwritten in full. The EUR 695 Million Facilities include EUR 350 Million Facilities for the purposes of refinancing existing indebtedness of Valmet and Neles (including Valmet's EUR 179 million loan related to the purchase of shares in Neles in the second half of 2020) in connection with the Merger and a EUR 345 Million Facility to finance potential cash redemptions of Neles' shares. The EUR 301 Million Facility is purposed to be used for financing the Extra Distribution to Neles Shareholders. In the Pro Forma Information, of the EUR 350 Million Facilities EUR 179 million is assumed to be drawn to illustrate the refinancing of Valmet's existing EUR 179 million loan and of the EUR 301 Million Facility EUR 212 million is assumed to be as drawn to illustrate the financing of Neles' extra distribution of funds to its shareholders other than Valmet.

In July 2021, Neles signed an EUR 150 million bilateral term loan, the purpose of which is to refinance the existing EUR 150 million term loan maturing in July 2022 as part of its normal course of business, the impact of which has not been reflected in the Pro Forma Information. Neles seeks to obtain certain consents and waivers from the lenders under its existing financing arrangements in order for its existing financing arrangements to continue in force and survive the Merger and to be wholly or partially refinanced by the Combined Company in connection with or after the Merger. As the waivers have not yet been received at the date of this Merger Prospectus, for pro forma purposes, Neles' EUR 150 million term loan included in Neles' statement of financial position as at June 30, 2021 is assumed to be fully refinanced with a EUR 150 million term loan drawn from the EUR 350 Million Facilities.

For pro forma purposes, it has been expected that in the Merger of Valmet and Neles, all assets and liabilities of Neles are transferred without a liquidation procedure to Valmet as set forth in the Merger Plan. There can be no assurance that the required competition approvals would not be subject to commitments, undertakings or remedies, which a party or the parties are obliged to execute prior to the completion of the Merger.

The Pro Forma Information does not reflect any possible tax impacts, such as transfer taxes, that may arise from the changes in asset ownership in certain jurisdictions.

Historical Financial Information

The Pro Forma Information has been derived from the following historical financial information, which are incorporated by reference into this Merger Prospectus:

- Valmet's audited consolidated financial statements as at and for the year ended December 31, 2020;
- Valmet's unaudited consolidated half year financial review as at and for the six months ended June 30, 2021;
- Neles' audited consolidated financial statements as at and for the year ended December 31, 2020;
- Neles' unaudited consolidated half-year financial review as at and for the six months ended June 30, 2021

Other Minor Acquisitions

On October 1, 2020, Valmet completed the acquisition of PMP Group in Poland. On July 1, 2021, Valmet completed the acquisitions of EWK Umwelttechnik GmbH and ECP Group. For more information on Valmet's acquisition of PMP Group, see Valmet's audited consolidated financial statements as at and for the year ended December 31, 2020 and for more information on Valmet's acquisitions of EWK Umwelttechnik GmbH and ECP Group, see the unaudited consolidated half year financial review as at and for the six months ended June 30, 2021 incorporated by reference into this Merger Prospectus and "*Information on Valmet – Business of Valmet – History*".

Neles announced on July 27, 2021 that it has signed an asset purchase agreement to acquire the valve and pump business of the Finland-based technology company Flowrox. For more information on this acquisition, see "*Information on Neles – Business of Neles – Investments*".

The Pro Forma Information does not reflect the pro forma effect of these acquisitions as if those acquisition would have taken place as at January 1, 2020, because they would not individually or in aggregate have a material impact on the results or financial position of the Combined Company.

Other Considerations

All amounts in the Pro Forma Information are presented in millions of euros unless otherwise indicated and are rounded. Accordingly, in certain instances, the sum of the figures in a column or a row in tables may not conform exactly to the total figure given for that column or row.

Independent auditor's assurance report on the compilation of the pro forma financial information included in a Merger Prospectus is attached to this Merger Prospectus as Annex C.

Unaudited Pro Forma Statement of Income for the Six Months Ended June 30, 2021

EUR million, unless otherwise indicated	For the six months ended June 30, 2021			
	Valmet historical	Neles reclassified	Merger	Combined Company pro forma
		(Note 1)	(Note 2)	
Net sales	1,801	275	-7	2,069
Cost of goods sold	-1,345	-187	7	-1,526
Gross profit	**455**	**88**	**0**	**544**
Selling, general and administrative expenses	-296	-53	-17	-366
Other operating income	14	3	-0	16
Other operating expenses	-12	-5	-	-17
Share in profits and losses of associated companies, operative investments	-0	-	0	0
Operating profit	**161**	**32**	**-17**	**176**
Financial income	3	0	-	3
Financial expenses	-6	-3	-0	-8
Share in profits and losses of associated companies, financial investments	-	-	-	-
Profit before taxes	**158**	**30**	**-17**	**171**
Income taxes	-37	-7	4	-40
Profit for the period	**121**	**22**	**-13**	**131**
Attributable to:				
Owners of the parent	121	22	-13	131
Non-controlling interests	0	-	-	0
Profit for the period	**121**	**22**	**-13**	**131**
Earnings per share attributable to owners of the parent:				
Basic earnings per share, EUR	0.81			0.71

Unaudited Pro Forma Statement of Income for the Year Ended December 31, 2020

EUR million, unless otherwise indicated	For the year ended December 31, 2020			
	Valmet historical (audited)	Neles reclassified	Merger	Combined Company pro forma
		(Note 1)	(Note 2)	
Net sales	3,740	576	-15	4,301
Cost of goods sold	-2,844	-386	2	-3,228
Gross profit	**896**	**190**	**-13**	**1,074**
Selling, general and administrative expenses	-571	-118	-131	-820
Other operating income	17	3	158	178
Other operating expenses	-25	-5	-	-31
Share in profits and losses of associated companies, operative investments	2	-	-0	2
Operating profit	**319**	**70**	**14**	**403**
Financial income	4	1	-	5
Financial expenses	-15	-8	-3	-25
Share in profits and losses of associated companies, financial investments	-2	-	-	-2
Profit before taxes	**307**	**64**	**11**	**381**
Income taxes	-75	-16	34	-57
Profit for the period	**231**	**48**	**45**	**324**
Attributable to:				
Owners of the parent	231	48	45	324
Non-controlling interests	0	-	-	0
Profit for the period	**231**	**48**	**45**	**324**
Earnings per share attributable to owners of the parent:				
Basic earnings per share, EUR	1.54			1.76

Refer to the accompanying notes to the Pro Forma Information

Unaudited Pro Forma Statement of Financial Position as at June 30, 2021 – Assets

Assets	**As at June 30, 2021**			
EUR million	**Valmet historical**	**Neles reclassified**	**Merger**	**Combined Company pro forma**
		(Note 1)	**(Note 2)**	
Non-current assets				
Intangible assets				
Goodwill	716	58	1,063	1,837
Other intangible assets	270	17	926	1,213
Total intangible assets	**986**	**75**	**1,989**	**3,050**
Property, plant and equipment				
Land and water areas	25	6	-	31
Buildings and structures	122	22	-	144
Machinery and equipment	181	32	11	224
Leased assets	63	47	-	110
Assets under construction	59	1	-	60
Total property, plant and equipment	**450**	**108**	**11**	**570**
Other non-current assets				
Investments in associated companies	458	-	-445	13
Non-current financial assets	15	2	-	17
Deferred tax assets	77	18	-3	92
Non-current income tax receivables	25	-	-	25
Other non-current assets	15	12	-	27
Total other non-current assets	**590**	**32**	**-448**	**174**
Total non-current assets	**2,027**	**215**	**1,552**	**3,794**
Current assets				
Inventories				
Materials and supplies	79	59	-	139
Work in progress	426	29	3	459
Finished products	141	89	10	239
Total inventories	**646**	**177**	**13**	**837**
Receivables and other current assets				
Trade receivables	557	84	-5	636
Amounts due from customers under revenue contracts	217	-	-	217
Other current financial assets	90	9	-	98
Income tax receivables	33	5	6	43
Other receivables	144	31	-1	173
Cash and cash equivalents	431	128	-32	526
Total receivables and other current assets	**1,471**	**256**	**-33**	**1,695**
Total current assets	**2,118**	**433**	**-20**	**2,531**
Total assets	**4,144**	**648**	**1,532**	**6,325**

Refer to the accompanying notes to the Pro Forma Information

Unaudited Pro Forma Statement of Financial Position as at June 30, 2021 – Equity and Liabilities

Equity and liabilities	As at June 30, 2021			
EUR million	Valmet historical	Neles reclassified	Merger	Combined Company pro forma
		(Note 1)	(Note 2)	
Equity				
Equity attributable to owners of the parent	1,138	259	1,100	2,497
Non-controlling interests	6	0	-	6
Total equity	**1,144**	**259**	**1,100**	**2,503**
Liabilities				
Non-current liabilities				
Non-current debt	195	150	389	733
Non-current lease liabilities	37	38	-	75
Post-employment benefits	182	22	-	204
Non-current provisions	35	1	-	36
Other non-current liabilities	7	0	-	7
Deferred tax liabilities	65	4	225	294
Total non-current liabilities	**521**	**216**	**614**	**1,350**
Current liabilities				
Current debt	222	19	-179	62
Current lease liabilities	22	11	-	32
Trade payables	320	54	-5	370
Current provisions	180	10	-	190
Amounts due to customers under revenue contracts	1,202	32	-	1,234
Other current financial liabilities	23	1	-	25
Income tax liabilities	68	6	-	73
Other current liabilities	443	40	3	485
Total current liabilities	**2,480**	**173**	**-181**	**2,472**
Total liabilities	**3,001**	**389**	**432**	**3,822**
Total equity and liabilities	**4,144**	**648**	**1,532**	**6,325**

Refer to the accompanying notes to the Pro Forma Information

Notes to the Pro Forma Information

The following unaudited pro forma adjustments will have a continuing impact on the Combined Company's results or financial position, unless otherwise indicated. The pro forma notes are unaudited.

Note 1 – Neles Reclassified

Valmet has performed a preliminary review of Neles' accounting policies and presentation of financial statements, primarily based on publicly available information, to determine whether any adjustments are necessary to ensure comparability in the Pro Forma Information. Based on the information available at this time, Valmet is not aware of any accounting policy differences that could have a material impact on the Pro Forma Information. However, certain reclassifications have been made to align Neles' historical financial information with the presentation format of Valmet's financial statements. Upon the completion of the Merger, Valmet will conduct a detailed review of Neles' accounting policies and presentation of financial statements. As a result of that review, the Combined Company may identify additional accounting policy or presentation differences between the companies that, when conformed, could have further impact on the Combined Company's financial information. Further, the accounting policies to be applied by the Combined Company in the future may differ from the accounting policies applied in the Pro Forma Information.

The following tables set forth the reclassifications made to align Neles' historical financial information with Valmet's format of presentation as at the dates and for the periods indicated.

Unaudited Reclassification Adjustments in the Pro Forma Statements of Income

	For the six months ended June 30, 2021			**For the year ended December 31, 2020**		
EUR million	**Neles historical**	**Reclassifica-tions**	**Neles reclassified**	**Neles historical, continuing operations[1) (audited)**	**Reclassifica-tions**	**Neles reclassified**
			(Note 1)			**(Note 1)**
Net sales	**275**	**-**	**275**	**576**	**-**	**576**
Cost of goods sold	-187	-	-187	-386	-	-386
Gross profit	**88**	**-**	**88**	**190**	**-**	**190**
Selling, general and administrative expenses	-	-53	-53	-	-118	-118
Other operating income	-	3	3	-	3	3
Other operating expenses	-	-5	-5	-	-5	-5
Selling and marketing expenses	-30	30	-	-65	65	-
Administrative expenses	-16	16	-	-39	39	-
Research and development expenses	-7	7	-	-14	14	-
Other operating income and expenses, net	-3	3	-	-2	2	-
Operating profit	**32**	**-**	**32**	**70**	**-**	**70**
Financial income	0	-	0	1	-	1
Financial expenses	-3	-0	-3	-7	-1	-8
Foreign exchange gains/losses	-0	0	-	-1	1	-
Profit before taxes	**30**	**-**	**30**	**64**	**-**	**64**
Income taxes	-7	-	-7	-16	-	-16
Profit for the period	**22**	**-**	**22**	**48**	**-**	**48**

[1) The partial demerger of Metso Group took place on June 30, 2020, and the continuing operations were renamed Neles. Neles valves business has been reported as continuing operations, and the demerged Metso Minerals business as discontinued operations for the period January 1–June 30, 2020. For pro forma purposes, only information for the continuing operations of Neles is presented.

Unaudited Reclassification Adjustments in the Pro Forma Statement of Financial Position – Assets

Assets	As at June 30, 2021		
EUR million	**Neles historical**	**Reclassifications**	**Neles reclassified (Note 1)**
Non-current assets			
Intangible assets			
Goodwill	58	-	58
Other intangible assets	17	-	17
Total intangible assets	**75**	**-**	**75**
Property, plant and equipment			
Land and water areas	6	-	6
Buildings and structures	22	-	22
Machinery and equipment	32	-	32
Leased assets	-	47	47
Assets under construction	1	-	1
Total property, plant and equipment	**61**	**47**	**108**
Right-of-use assets	47	-47	-
Other non-current assets			
Non-current financial assets	2	-	2
Deferred tax assets	18	-	18
Other non-current assets	-	12	12
Other non-current receivables	12	-12	-
Total other non-current assets	**32**	**-**	**32**
Total non-current assets	**215**	**-**	**215**
Current assets			
Inventories			
Materials and supplies	-	59	59
Work in progress	-	29	29
Finished products	-	89	89
Inventories	177	-177	-
Total inventories	**177**	**-**	**177**
Receivables and other current assets			
Trade receivables	84	-	84
Other current financial assets	-	9	9
Income tax receivables	5	-	5
Other receivables	-	31	31
Cash and cash equivalents	128	-	128
Other current receivables	39	-39	-
Total receivables and other current assets	**256**	**-**	**256**
Total current assets	**433**	**-**	**433**
Total assets	**648**	**-**	**648**

Unaudited Reclassification Adjustments in the Pro Forma Statement of Financial Position – Equity and Liabilities

Equity and liabilities	**As at June 30, 2021**		
EUR million	**Neles historical**	**Reclassifications**	**Neles reclassified (Note 1)**
Equity			
Equity attributable to owners of the parent	259	-	259
Non-controlling interests	0	-	0
Total equity	**259**	**-**	**259**
Liabilities			
Non-current liabilities			
Non-current debt	-	150	150
Non-current lease liabilities	38	-	38
Post-employment benefits	22	-	22
Non-current provisions	1	-	1
Other non-current liabilities	0	-	0
Deferred tax liabilities	4	-	4
Interest bearing liabilities	150	-150	-
Total non-current liabilities	**216**	**-**	**216**
Current liabilities			
Current debt	-	19	19
Current lease liabilities	11	-	11
Trade payables	54	-	54
Current provisions	10	-	10
Amounts due to customers under revenue contracts	-	32	32
Other current financial liabilities	-	1	1
Income tax liabilities	6	-	6
Other current liabilities	40	-	40
Interest bearing liabilities	19	-19	-
Advances received	32	-32	-
Derivative financial instruments	1	-1	-
Total current liabilities	**173**	**-**	**173**
Total liabilities	**389**	**-**	**389**
Total equity and liabilities	**648**	**-**	**648**

Note 2 – Merger

The Merger will be accounted for using the acquisition method of accounting with Valmet determined as the acquirer of Neles. As Valmet holds an equity interest in Neles prior to the Merger, the Merger will be accounted for as a business combination achieved in stages. In the Merger, Valmet's previously held equity interest in Neles will be remeasured to fair value at the Effective Date and a resulting gain or loss will be recognized in the consolidated statement of income of Valmet.

Valmet has made a preliminary purchase price allocation based upon estimates that are believed to be reasonable. As the Merger has not yet been completed, all of the detailed valuation studies necessary to arrive at the estimates of the fair value for all of Neles' assets to be acquired and liabilities to be assumed have not been completed. Upon the completion of the Merger, the Combined Company will conduct a detailed valuation of all assets and liabilities as of the Effective Date at which point the fair value of assets acquired and liabilities assumed may materially differ from the amounts presented in the Pro Forma Information. For pro forma purposes, Neles' unaudited consolidated statement of financial position information as at June 30, 2021 has been used in the preliminary purchase price allocation presented below. The final fair values will be determined on the basis of assets acquired and liabilities assumed at the Effective Date.

Purchase Consideration

The purchase consideration is determined based on the fair value of the Merger Consideration Shares and the Effective Date fair value of Valmet's previously held equity interest in Neles.

The following table sets forth the preliminary estimate of the purchase consideration to acquire Neles as if the Merger had occurred on June 30, 2021.

Pro forma preliminary estimate of the purchase consideration	EUR million
Preliminary estimate of fair value:	
Valmet's shares issued as Merger Consideration Shares (Note 2c)	1,224
Fair value of Valmet's previously held equity interest in Neles (Note 2d)	514
Total	**1,738**
Effect of settlement of pre-existing relationship (Note 2b)	84
Total pro forma preliminary estimate of the purchase consideration	**1,822**

The preliminary estimate of the purchase consideration reflected in the Pro Forma Information does not purport to represent the actual consideration upon the completion of the Merger. In accordance with IFRS, the fair value of the Merger Consideration Shares to be issued by Valmet and the fair value of Valmet's previously held equity interest in Neles will be measured at the Effective Date at the then-current market price (fair value) of Valmet's share on Nasdaq Helsinki. This requirement will likely result in a purchase consideration different from the amount presented in the Pro Forma Information and that difference may be material. A 10 percent change in Valmet's share price would increase or decrease the pro forma Merger Consideration by approximately EUR 122 million and the fair value of the previously held equity interest by approximately EUR 51 million, increasing or decreasing the purchase consideration by total of EUR 174 million, which would be reflected as an increase or decrease of goodwill and equity in the pro forma statement of financial position. In the pro forma statement of income, the change in the fair value of the previously held equity interest would be reflected as an increase or decrease of other operating income.

The following tables set forth the Merger related pro forma adjustments for the periods presented.

Unaudited Merger Adjustments in the Pro Forma Statement of Income for the six months ended June 30, 2021

	For the six months ended June 30, 2021						
EUR million	**Extra distribution of funds and related financing**	**Elimination of transactions between Valmet and Neles**	**Valmet's previous interest in Neles**	**Fair valuation of net assets**	**Transaction costs**	**Refinancing and bank fees**	**Merger**
	(Note 2a)	**(Note 2b)**	**(Note 2d)**	**(Note 2e)**	**(Note 2f)**	**(Note 2g)**	**(Note 2)**
Net sales	**-**	**-7**	**-**	**-**	**-**	**-**	**-7**
Cost of goods sold	-	7	-	0	-	-	7
Gross profit	**-**	**-**	**-**	**0**	**-**	**-**	**0**
Selling, general and administrative expenses	-	0	-	-20	2	-	-17
Other operating income	-	-0	-	-	-	-	-0
Share in profits and losses of associated companies, operative investments	-	-	0	-	-	-	0
Operating profit	**-**	**-**	**0**	**-20**	**2**	**-**	**-17**
Financial expenses	-1	-	-	-	-	1	-0
Profit before taxes	**-1**	**-**	**0**	**-20**	**2**	**1**	**-17**
Income taxes	0	-	-	5	-0	-0	4
Profit for the period	**-1**	**-**	**0**	**-15**	**2**	**1**	**-13**

Unaudited Merger Adjustments in the Pro Forma Statement of Income for the year ended December 31, 2020

	For the year ended December 31, 2020						
EUR million	**Extra distribution of funds and related financing**	**Elimination of transactions between Valmet and Neles**	**Valmet's previous interest in Neles**	**Fair valuation of net assets**	**Transaction costs**	**Refinancing and bank fees**	**Merger**
	(Note 2a)	**(Note 2b)**	**(Note 2d)**	**(Note 2e)**	**(Note 2f)**	**(Note 2g)**	**(Note 2)**
Net sales	-	-15	-	-	-	-	-15
Cost of goods sold	-	15	-	-13	-	-	2
Gross profit	**-**	**-**	**-**	**-13**	**-**	**-**	**-13**
Selling, general and administrative expenses	-	0	-	-104	-27	-	-131
Other operating income	-	-0	158	-	-	-	158
Share in profits and losses of associated companies, operative investments	-	-	-0	-	-	-	-0
Operating profit	**-**	**-**	**157**	**-116**	**-27**	**-**	**14**
Financial expenses	-1	-	-	-	-	-2	-3
Profit before taxes	**-1**	**-**	**157**	**-116**	**-27**	**-2**	**11**
Income taxes	0	-	-	28	5	0	34
Profit for the period	**-1**	**-**	**157**	**-88**	**-22**	**-1**	**45**

Unaudited Merger Adjustments in the Pro Forma Statement of Financial Position

	As at June 30, 2021							
EUR million	**Extra distribution of funds and related financing (Note 2a)**	**Elimination of transactions between Valmet and Neles (Note 2b)**	**Merger consideration (Note 2c)**	**Valmet's previous interest in Neles (Note 2d)**	**Fair valuation of net assets (Note 2e)**	**Transaction costs (Note 2f)**	**Re-financing and bank fees (Note 2g)**	**Merger (Note 2)**
Assets								
Non-current assets								
Goodwill	-	-	-	-	1,063	-	-	1,063
Other intangible assets	-	-	-	-	926	-	-	926
Total intangible assets	**-**	**-**	**-**	**-**	**1,989**	**-**	**-**	**1,989**
Machinery and equipment	-	-	-	-	11	-	-	11
Total property, plant and equipment	**-**	**-**	**-**	**-**	**11**	**-**	**-**	**11**
Investments in associated companies	-89	-	-	-356	-	-	-	-445
Deferred tax assets	-	-	-	-	-3	-	-	-3
Total other non-current assets	**-89**	**-**	**-**	**-356**	**-3**	**-**	**-**	**-448**
Total non-current assets	**-89**	**-**	**-**	**-356**	**1,997**	**-**	**-**	**1,552**
Current assets								
Work in progress	-	-	-	-	3	-	-	3
Finished products	-	-	-	-	10	-	-	10
Total inventories	**-**	**-**	**-**	**-**	**13**	**-**	**-**	**13**
Trade receivables	-	-5	-	-	-	-	-	-5
Income tax receivables	-	-	-	-	-	5	0	6
Other receivables	89	-89	-	-	-0	-	-1	-1
Cash and cash equivalents	-1	-	-	-	-	-29	-3	-32
Total receivables and other current assets	**88**	**-94**	**-**	**-**	**-0**	**-23**	**-3**	**-33**
Total current assets	**88**	**-94**	**-**	**-**	**13**	**-23**	**-3**	**-20**
Total assets	**-1**	**-94**	**-**	**-356**	**2,010**	**-23**	**-3**	**1,532**
Equity and liabilities								
Equity								
Equity attributable to owners of the parent (Note 2h)	-300	-	1,224	158	41	-21	-1	1,100
Total equity	**-300**	**-**	**1,224**	**158**	**41**	**-21**	**-1**	**1,100**
Liabilities								
Non-current liabilities								
Non-current debt	211	-	-	-	1	-	177	389
Deferred tax liabilities	-	-	-	-	225	-	-	225
Total non-current liabilities	**211**	**-**	**-**	**-**	**226**	**-**	**177**	**614**
Current liabilities								
Current debt	-	-	-	-	-	-	-179	-179
Trade payables	-	-5	-	-	-	-0	-	-5
Income tax liabilities	-	-	-	-	-	-	-	-
Other current liabilities	89	-89	-	-	5	-2	-	3
Total current liabilities	**89**	**-94**	**-**	**-**	**5**	**-2**	**-179**	**-181**
Total liabilities	**300**	**-94**	**-**	**-**	**231**	**-2**	**-2**	**432**
Total equity and liabilities	**-1**	**-94**	**1,224**	**158**	**272**	**-23**	**-3**	**1,532**

Note 2a – Extra distribution of funds and related financing

Pursuant to the Merger Plan, Neles may distribute to its shareholders an extra distribution of funds in the amount of up to EUR 2.00 per share, either as dividend or return of equity or a combination of the aforementioned prior to the Effective Date. The Pro Forma Information assumes the extra distribution of funds of EUR 300 million and it has been adjusted as if distributed from Neles' equity and paid from cash and cash equivalents, excluding Valmet's share of the extra distribution of funds of EUR 89 million, which has been recognized as a current liability of Neles and is expected to be settled in the Merger. The decrease of EUR 89 million in investments in associated companies and the increase of EUR 89 million in other receivables reflect the amounts recognized by Valmet related to Neles' extra distribution of funds prior to the Effective Date. The pro forma adjustment of the extra distribution of funds will not have a continuing impact on the Combined Company's financial position.

The Merger financing arrangements include a EUR 301 Million Facility for Neles, which Danske Bank and Nordea as joint underwriters, coordinating bookrunners and mandated lead arrangers have arranged and underwritten in full, which is purposed to be used for financing Neles' extra distribution of funds. In the Pro Forma Information, EUR 212 million of the EUR 301 Million Facility is assumed to be drawn by Neles to reflect the financing of the extra distribution of funds to shareholders other than Valmet. The amount drawn (net of transaction costs) has been recognized as an increase in non-current debt and cash and cash equivalents in the pro forma statement of financial position. The pro forma interest expenses arising from the new term loan are recognized as financial expenses in the pro forma statements of income for the periods presented and they reflect the total interest expenses of the loan after the fair valuation of the loan described in note 2e (v) below.

Note 2b – Elimination of transactions between Valmet and Neles

Transactions and balances between Valmet and Neles have been eliminated in the Pro Forma Information. These adjustments decrease income and expenses in the pro forma statements of income. The adjustments in the pro forma statement of financial position reflect the elimination of EUR 89 million of Neles' liability to Valmet and Valmet's receivable from Neles arising from Neles' extra distribution of funds, which are assumed to be settled in the Merger as well as EUR 5 million of Valmet's trade payables to Neles and Neles' trade receivables from Valmet, which will be eliminated in consolidation. In the Pro Forma Information, Valmet's net receivable of EUR 84 million, effectively settled between the parties in the Merger (effect of settlement of pre-existing relationship), has been presented as part of the total pro forma preliminary estimate of the purchase consideration.

Note 2c – Merger Consideration

The shareholders of Neles shall receive as Merger Consideration 0.3277 Merger Consideration Shares for each share they hold in Neles. For pro forma purposes, the preliminary estimate of the fair value of the Merger Consideration transferred in exchange of Neles corresponds to an aggregate fair value of the total number of 34,664,986 Merger Consideration Shares expected to be issued (excluding shares held by Valmet as well as treasury shares held by Neles, which do not entitle to the Merger Consideration, and assuming that none of Neles shareholders demands redemption of his/her/their shares at the EGM of Neles resolving on the Merger) based on the closing price of EUR 35.31 of Valmet's share on Nasdaq Helsinki on August 4, 2021. In the Pro Forma Information, the total estimated Merger Consideration amounts to EUR 1,224 million, of which EUR 40 million is recognized as an increase of share capital in accordance with the Merger Plan and EUR 1,184 million is recognized as an increase of reserve for invested unrestricted equity.

Note 2d – Valmet's previous interest in Neles

Valmet held approximately 29.54 percent of Neles' shares and votes as at June 30, 2021 and has reported Neles as an associated company in its historical consolidated financial statement information. The Merger is accounted for as a business combination achieved in stages where as a result of the Merger, the previously held equity interest in Neles will be remeasured to fair value at the Effective Date and the resulting gain will be recognized in the consolidated statement of income. The fair value of Valmet's previously held equity interest in Neles is considered a component of a total purchase consideration. In the Pro Forma Information, the preliminary fair value calculation of Valmet's previously held equity interest in Neles is based on 44,415,207 shares in Neles owned by Valmet at the date of this Merger Prospectus and based on the closing price of EUR 35.31 of Valmet's share on Nasdaq Helsinki on August 4, 2021 and an exchange ratio of 0.3277:1. In the Pro Forma Information the preliminary fair value estimate of Valmet's previously held equity interest in Neles amounts to EUR 514 million. The difference between the fair value and the carrying value of Valmet's previously held equity interest in Neles of EUR 158 million is presented as a gain in other operating income in the pro forma statement of income for the year ended December 31, 2020 and in retained earnings in the pro forma statement of financial position and the carrying value presented under investments in associated companies has been eliminated in the pro forma statement of financial position. In Valmet's comparable EBITA, the gain resulting from fair valuation of Valmet's previously held equity interest in Neles is excluded as an item affecting comparability.

In the pro forma statements of income, the share in profits and losses of associated companies, operative investments historically reported by Valmet relating to its existing interest in Neles has been eliminated for the six months ended June 30, 2021 and for the year ended December 31, 2020. These adjustments will not have a continuing impact on the Combined Company's results and financial position.

Note 2e – Fair Valuation of Net Assets

The following table sets forth the unaudited preliminary fair valuation of acquired assets and assumed liabilities as at June 30, 2021:

EUR million	**Neles reclassified**	**Extra distribution of funds and related financing**	**Elimination of transac-tions between Valmet and Neles**	**Fair valuation of net assets**	**Note**	**Acquired assets and assumed liabilities at fair value**
	(Note 1)	**(Note 2a)**	**(Note 2b)**	**(Note 2e)**		
Non-current assets						
Goodwill	58	-	-	-58	(i)	-
Other intangible assets	17	-	-	926	(ii), (iii)	943
Property, plant and equipment	108	-	-	11	(iii)	119
Deferred tax assets	18	-	-	-3	(vii)	15
Other non-current assets	14	-	-	-		14
Total non-current assets	**215**	**-**	**-**	**876**		**1,091**[1]
Current assets						
Inventories	177	-	-	13	(iv)	190
Trade receivables	84	-	-5	-		79
Other current receivables	44	-	-	-0	(v)	43
Cash and cash equivalents	128	-1	-	-		127
Total current assets	**433**	**-1**	**-5**	**13**		**440**
Non-current liabilities						
Non-current debt	150	211	-	1	(v)	361
Other non-current liabilities	62	-	-	-		62
Deferred tax liabilities	4	-	-	225	(vii)	229
Total non-current liabilities	**216**	**211**	**-**	**226**		**652**
Current liabilities						
Other current liabilities	173	89	-89	5	(vi)	178
Total current liabilities	**173**	**89**	**-89**	**5**		**178**
Net assets	**259**	**-300**	**84**	**658**		**701**
Preliminary estimate of purchase consideration						1,822
Non-controlling interests						0
Goodwill					(i)	**1,121**

[1] Total non-current assets excluding goodwill.

The following table sets forth the statement of income impacts from the fair valuation of acquired assets and assumed liabilities for the six months ended June 30, 2021 and for the year ended December 31, 2020:

	For the six months ended June 30, 2021				For the year ended December 31, 2020			
	Fair valuation of net assets (Note 2e)				Fair valuation of net assets (Note 2e)			
EUR million	**Elimina-tion of amortiza-tion from old purchase price allocations**	**Deprecia-tion and amortiza-tion from fair valuation**	**Inventory fair value adjustment**	**Fair valuation of net assets**	**Elimina-tion of amortiza-tion from old purchase price allocations**	**Deprecia-tion and amortiza-tion from fair valuation**	**Inventory fair value adjustment**	**Fair valuation of net assets**
	(ii)	**(iii)**	**(iv)**	**(Note 2e)**	**(ii)**	**(iii)**	**(iv)**	**(Note 2e)**
Cost of goods sold...	0	-0	-	0	1	-1	-13	-13
Gross profit............	**0**	**-0**	**-**	**0**	**1**	**-1**	**-13**	**-13**
Selling, general and administrative expenses.................	1	-21	-	-20	2	-106	-	-104
Operating profit....	**1**	**-21**	**-**	**-20**	**3**	**-107**	**-13**	**-116**
Profit before taxes.	**1**	**-21**	**-**	**-20**	**3**	**-107**	**-13**	**-116**
Income taxes (vii) ...	-0	5	-	5	-1	26	3	28
Profit for the period....................	**1**	**-16**	**-**	**-15**	**3**	**-81**	**-10**	**-88**

(i) The goodwill recognized in the pro forma statement of financial position represents the excess of the preliminary purchase consideration over the preliminary fair value of the identifiable net assets acquired. The preliminary goodwill arising in the Merger is mainly attributable to synergies, assembled workforce and geographical presence. Valmet expects that the goodwill will not be tax-deductible.

For pro forma presentation purposes, the difference of EUR 1,063 million between Neles' existing goodwill of EUR 58 million and the preliminary goodwill amount of EUR 1,121 million arising in the combination is adjusted in the pro forma statement of financial position.

(ii) In the Pro Forma Information, the fair value adjustments, totalling to EUR 15 million, of other intangible assets arising from Neles' previous purchase price allocations and related amortization expenses have been eliminated.

(iii) A preliminary fair value adjustment to property, plant and equipment has been recognized in the pro forma statement of financial position to reflect the fair value of machinery and equipment.

The preliminary fair values of customer relationships, trademarks, technology and order backlog included in other intangible assets have been determined primarily using the income approach which requires an estimate or forecast of expected future cash flows. Either the multi-period excess earnings method or the relief-from-royalty method has been used as the income-based valuation method.

Based on the preliminary fair valuation, additional depreciation and amortization expenses have been recognized in the pro forma statements of income. The following table sets forth the preliminary fair values of the identifiable other intangible assets and the preliminary fair value adjustments of the property, plant and equipment and the estimated average useful lives representing the depreciation and amortization periods as well as the estimated depreciation and amortization arising from fair valuation for the periods presented:

			Depreciation and amortization arising from fair valuation	
EUR million, unless otherwise indicated	**Preliminary fair valuation**	**Estimated average useful life (years)**	**For the six months ended June 30, 2021**	**For the year ended December 31, 2020**
Other intangible assets				
Customer relationships[1]	547	20	14	27
Trademarks[1]...........................	110	40	1	3
Technology[1]	220	20	5	11
Order backlog[1].......................	65	1	-	65
Others[2]	2		-	-
Total other intangible assets	**943**		**21**	**106**
Property, plant and equipment[3]...........................	**11**	1-20	0	1
Total			**21**	**107**

[1] Represents the preliminary fair value of other intangible assets and related amortization.
[2] Carrying value is assumed to approximate fair value.
[3] Represents the preliminary fair value adjustment of property, plant and equipment and related depreciation.

The depreciation and amortization adjustments will have a continuing impact on the Combined Company's results, except for the amortization adjustment of order backlog which will not have a continuing impact on the Combined Company's results after the first year.

(iv) Reflects the preliminary fair value adjustment recorded to inventories in the pro forma statement of financial position. Valmet expects that the acquired inventory will turn over within one year and accordingly, the inventory fair value adjustment has been recorded as an expense in cost of goods sold in the pro forma statement of income for the year ended December 31, 2020. The inventory fair valuation adjustment will not have a continuing impact on the Combined Company's results or financial position after one year.

(v) Reflects the preliminary fair value adjustments arising from financing arrangements. The adjustment to non-current debt reflects the preliminary fair value of non-current debt. The adjustment to other current receivables reflects the elimination of capitalized transaction costs related to Neles' EUR 200 million revolving credit facility. These adjustments will not have a continuing impact on the Combined Company's financial position.

(vi) As at the date of this Merger Prospectus, Neles has four (4) share-based long-term incentive plans under which share rewards have not been paid in their entirety: Performance Share Plan (PSP) 2021–2023, Performance Share Plan (PSP) 2020–2022, Deferred Share Unit Plan (DSUP) 2021–2023 and Deferred Share Unit Plan (DSUP) 2019–2021. The Board of Directors of Neles has, conditionally and subject to the execution of the Merger, resolved on the impact of the Merger on such incentive plans in accordance with their terms and conditions. According to the resolution, the incentive plans will be settled in cash. The pro forma adjustment of EUR 5 million reflects the increase in the aggregate amount of assumed liabilities as at the Effective Date. These incentive plans will have a continuing impact on the Combined Company's results from the Effective Date until the vesting dates and financial position until the payment dates of the rewards. The rewards based on these incentive plans will be paid latest twelve months after the Effective Date of the Merger.

(vii) This adjustment represents the income tax impacts arising from the pro forma adjustments and from movements in estimated deferred tax liabilities and deferred tax assets related to the fair valuation of net assets reflected in the pro forma statement of financial position (excluding adjustments related to goodwill, which is assumed not to be tax-deductible). In addition, the pro forma adjustment reflects the offsetting of deferred tax assets and deferred tax liabilities arising from the fair value adjustments as they relate to income taxes on the same jurisdiction and a right to set off taxes assets against tax liabilities exist. Deferred tax impacts have been calculated based on assumed blended tax rates or by applying the Finnish corporate income tax rate of 20 percent, as applicable. The tax rates are based on preliminary assumptions related to the underlying jurisdictions in which the income or expense will be recorded. The effective tax rate of the Combined Company could be significantly different depending on the post-Merger activities, including cash needs, geographical mix of net income and tax planning strategies.

Certain tax loss carry-forwards, in part or in full, may be forfeited in the Merger. The pro forma adjustment decreases deferred tax assets by EUR 3 million illustrating the estimated impact of tax loss carry forwards to be forfeited.

Note 2f – Transaction costs

The total transaction costs of EUR 29 million estimated to be incurred by Valmet and Neles in connection with the Merger primarily comprise financial, legal and advisory costs.

The estimated financial, legal and advisory costs of EUR 27 million have been recorded in selling, general and administrative expenses in the pro forma statement of income for the year ended December 31, 2020. The transaction costs of EUR 2 million already recorded as an expense for the six months ended June 30, 2021 have been eliminated from selling, general and administrative expenses in the pro forma statement of income for that period.

The estimated transaction costs for the issuance and listing of the Merger Consideration Shares to be recognized directly to equity of EUR 1 million has been deducted (net of taxes) from reserve for invested unrestricted equity in the pro forma statement of financial position.

In the pro forma statement of financial position, the unpaid portion of the estimated transaction costs of EUR 29 million has been deducted from cash and cash equivalents. Transaction costs that have already been recorded as liabilities by Valmet and Neles in their historical statement of financial position as at June 30, 2021 have been eliminated from trade payables and other current liabilities in the pro forma statement of financial position and have been presented as paid.

The tax impact from adjustments made to transaction costs has been calculated using the Finnish corporate income tax rate of 20 percent.

The transaction cost adjustment will not have a continuing impact on the Combined Company's results or financial position. The estimated transaction costs do not reflect any future integration costs that are expected to be incurred because of the Merger.

Note 2g – Refinancing and bank fees

To support and finance the completion of the Merger, Valmet and Neles have entered into re- and back-up financing agreements with Danske Bank and Nordea on July 2, 2021. The Pro Forma Information reflects the estimated bank fees and financing costs related to these agreed financing arrangements as well as the refinancing of Valmet's EUR 179 million debt related to the purchase of shares in Neles in the second half of 2020 and Neles' EUR 150 million debt with the draw-down of EUR 329 million new loans under the EUR 350 Million Facilities.

The adjustments in the Pro Forma Information decrease current debt by EUR 179 million and increase non-current debt by EUR 177 million as well as decrease cash and cash equivalents by EUR 3 million, other receivables by EUR 1 million and equity by EUR 1 million in the pro forma statement of financial position. The financing expenses related to the refinanced loans recognized in Valmet's and Neles' historical statements of income for the six months ended June 30, 2021 and for the year ended December 31, 2020 have been eliminated in the Pro Forma Information and replaced with the financing expenses arising from the new loans. In addition, certain bank fees and financing costs related to the agreed financing arrangements have been recognized as an expense for the year ended December 31, 2020. In total, these pro forma adjustments decrease financial expenses by EUR 1 million in the pro forma statement of income for the six months ended June 30, 2021 and increase financial expenses by EUR 2 million in the pro forma statement of income for the year ended December 31, 2020.

The tax impact from the adjustment has been calculated using the Finnish corporate income tax rate of 20 percent.

Note 2h – Equity structure

The following table sets forth the reconciliation of pro forma total equity attributable to the owners of the parent and illustrates adjustments to reflect the impacts of the Merger to the total equity attributable to the owners of the parent of the Combined Company in the pro forma statement of financial position.

	As at June 30, 2021					
EUR million	**Valmet historical**	**Merger consideration**	**Valmet's previous interest in Neles**	**Transaction costs**	**Refinancing and bank fees**	**Combined Company pro forma**
		(Note 2c)	**(Note 2d)**	**(Note 2f)**	**(Note 2g)**	
Share capital	100	40[1)]	-	-	-	140
Reserve for invested unrestricted equity	426	1,184	-	-1	-	1,609
Cumulative translation adjustments	-27	-	-	-	-	-27
Hedge and other reserves	9	-	-	-	-	9
Retained earnings	631	-	158	-20	-1	767
Total equity attributable to owners of the parent	**1,138**	**1,224**	**158**	**-21**	**-1**	**2,497**

[1)] Increase in share capital is presented in accordance with the Merger Plan.

In the Pro Forma Information, Neles' equity attributable to owners of the parent, which comprises historical Neles' equity attributable to owners of the parent as presented in note 1 and the adjustments made prior to the Effective Date as presented in note 2a, is eliminated in note 2e as part of the fair valuation of net assets as at the Effective Date. Accordingly, Neles' equity attributable to owners of the parent including the related pro forma adjustments will not have an impact on the Combined Company's equity.

Note 3 – Unaudited Pro Forma Earnings per Share

Pro forma basic earnings per share is calculated by dividing the pro forma profit for the period attributable to owners of the parent by the pro forma weighted average number of Valmet's outstanding shares as adjusted for the pro forma Merger Consideration Shares.

The following table sets forth the pro forma basic earnings per share for the periods indicated:

	For the six months ended June 30, 2021	**For the year ended December 31, 2020**
Pro forma profit for the period attributable to owners of the parent (EUR million)	131	324
Average number of Valmet's outstanding shares – historical	149,462,766	149,499,114
Number of pro forma Merger Consideration Shares	34,664,986	34,664,986
Pro forma weighted average number of outstanding shares, basic	**184,127,752**	**184,164,100**
Pro forma basic earnings per share, EUR	**0.71**	**1.76**

Note 4 – Unaudited Additional Pro Forma Information

The Pro Forma Information includes certain performance measures of the Combined Company's pro forma financial performance and pro forma financial position, which, in accordance with the "Alternative Performance Measures" guidance issued by ESMA, are not accounting measures defined or specified in IFRS, and therefore are considered as alternative performance measures. These alternative performance measures are operating profit, EBITA, comparable EBITA, interest-bearing liabilities, net interest-bearing liabilities, equity to assets ratio and gearing and they are presented as additional information to the financial measures presented in the pro forma statement of income and pro forma statement of financial position prepared in accordance with IFRS. For reasons for the use of alternative performance measures, see "*Certain Matters – Presentation of Financial and Certain Other Information – Alternative Performance Measures*".

Alternative performance measures should not be viewed in isolation or as a substitute to the IFRS financial measures. All companies do not calculate alternative performance measures in a uniform way, and therefore, the alternative performance measures presented in this Merger Prospectus may not necessarily be comparable with similarly named measures presented by other companies.

Unaudited Pro Forma Key Figures

EUR million, unless otherwise indicated	**For the six months ended June 30, 2021**	**For the year ended December 31, 2020**	**As at June 30, 2021**
Net sales	2,069	4,301	
Operating profit[1)]	176	403	
EBITA[2)]	215	542	
Comparable EBITA[3)]	210	449	
Equity to assets ratio[4)], %			49%
Gearing[5)], %			13%

[1)] Operating profit = Net sales - cost of goods sold - selling, general and administrative expenses + other operating income - other operating expenses - share in profits and losses of associated companies, operative investments

[2)] EBITA = Operating profit + amortization

[3)] Comparable EBITA = Operating profit + amortization +/- items affecting comparability

Items affecting comparability consist of income and expenses arising from activities that amend the capacity of the Combined Company's operations, such as restructuring costs, and gains or losses on sale of businesses or non-current assets, and income and expenses incurred outside the Combined Company's normal course of business, such as transaction costs related to business combinations and the contemplated Merger, expenses arising from fair value adjustments recognized in business combinations, share in profits and losses of associated companies, operative investments and any gain or loss recorded at derecognition, impairment charges, income and expenses recorded as a result of settlement payments to/from third parties as well as income and expenses arising from changes in legislation expected to be recorded in different reporting periods which consequently affect the Combined Company temporarily only (e.g. customs or other tariffs imposed by authorities on the Combined Company's products).

[4)] Equity to assets ratio, % = (Total equity / (Balance sheet total – amounts due to customers under revenue contracts)) x 100

[5)] Gearing, % = (Net interest-bearing liabilities / Total equity) x 100

Net interest-bearing liabilities = Interest-bearing liabilities (Non-current debt + non-current lease liabilities + current debt + current lease liabilities) - cash and cash equivalents - non-current interest-bearing financial instruments - other interest-bearing assets

Reconciliation Between Pro Forma Comparable EBITA, Pro Forma EBITA and Pro Forma Operating Profit

EUR million	For the six months ended June 30, 2021				For the year ended December 31, 2020			
	Valmet histori-cal	**Neles reclassi-fied**	**Merger**	**Com-bined Company pro forma**	**Valmet histori-cal**	**Neles reclassi-fied**	**Merger**	**Com-bined Company pro forma**
		(Note 1)	**(Note 2)**			**(Note 1)**	**(Note 2)**	
Comparable EBITA	**175**	**35**	**-0**	**210**	**365**	**85**	**-1**	**449**
Items affecting comparability in cost of sales								
Expenses related to capacity adjustments	-	-	-	-	-6	-0	-	-7
Expensing of fair value adjustments recognized in business combinations	-1	-	-	-1	-1	-	-13	-14
Other items affecting comparability	1	-	-	1	-1	-	-	-1
Items affecting comparability in selling, general and administrative expenses								
Expenses related to capacity adjustments	-0	-	-	-0	-5	-1	-	-6
Expenses related to acquisitions	-1	-1	2	-	-1	-5	-27[1)]	-34
Other items affecting comparability	-0	-	-	-0	-0	-4	-	-5
Items affecting comparability in other operating income and expenses								
Expenses related to capacity adjustments	-	-	-	-	-	-	-	-
Other items affecting comparability	6[4)]	-	-	6	2	-	158[2)]	159
Items affecting comparability in share in profits and losses of associated companies, operative investments								
Other items affecting comparability	7	-	-7	0	3	-	-3	-
EBITA	**186**	**34**	**-5**	**215**	**355**	**74**	**114**	**542**
Amortization included in cost of sales								
Other intangibles	-0	-0	0	-0	-1	-1	1	-1
Amortization included in selling, general and administrative expenses								
Intangibles recognized in business combinations	-10	-1	-20	-30	-19	-1	-105	-125
Other intangibles	-8	-0	0	-8	-13	-1	1	-13
Amortization included in share in profits and losses of associated companies, operative investments								
Other intangibles	-7	-	7	-	-2	-	2	-
Operating profit	**161**	**32**	**-17**	**176**	**319**[3)]	**70**	**14**	**403**

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1) Comprises expenses of EUR 27 million related to the Merger.
2) The gain of EUR 158 million recognized as a result of measuring at fair value Valmet's previously held equity interest in Neles is presented as an item affecting comparability.
3) Audited.
3) Comprises profits related to real estate arrangements for the six months ended June 30, 2021.

Reconciliation of Pro Forma Gearing

	As at June 30, 2021			
EUR million, unless otherwise indicated	**Valmet historical**	**Neles reclassified**	**Merger**	**Combined Company pro forma**
		(Note 1)	**(Note 2)**	
Net interest-bearing liabilities				
Non-current debt	195	150	389	733
Non-current lease liabilities	37	38	-	75
Current debt	222	19	-179	62
Current lease liabilities	22	11	-	32
Interest-bearing liabilities	**475**	**218**	**210**	**903**
Cash and cash equivalents	-431	-128	32	-526
Non-current interest-bearing financial instruments	-0	-2	-	-2
Other interest-bearing assets	-54	-0	-	-54
Net interest-bearing liabilities	**-9**	**88**	**242**	**320**
Total equity	1,144	259	1,100	2,503
Gearing (%)	**-1%**	**34%**	**n/a**	**13%**

INFORMATION ON VALMET

Business of Valmet

Overview of the Business

Valmet is a leading global developer and supplier of process technologies, automation, and services primarily for the pulp, paper and energy industries as well as municipal and industrial heat and power producers.[1] Valmet focuses on delivering technology, automation and services globally to industries that use bio-based raw materials. Valmet's main customer industries are pulp, board, tissue, paper, and biomass, municipal and industrial residual waste-based heat and power production. The company's customer base also includes other process industries and marine, where Valmet's automation solutions are widely used. Valmet's main customer industries are all major global industries that offer growth potential for the future.

Valmet is a sustainability leader in its industry with a comprehensive, long-term sustainability agenda, concrete climate program with ambitious targets for 2030, and products and services that optimize its customers' energy, water and raw material efficiency and enhance CO_2 reduction. For further information, see "– *Sustainability*" below. The company has been included in the Dow Jones World and Europe Sustainability Indices in seven consecutive years since 2014.

Valmet's product and service portfolio consists of complete production lines, mills and plants, technology islands and machine sections, process components, spare parts, process consumables, maintenance, productivity and safety enhancing services, automation solutions, industrial internet solutions, plant upgrades and rebuilds, equipment and solutions for optimizing energy and raw material usage, and technologies pursuing to increase the value of the end products of Valmet's customers. Valmet is organized around four business lines and five geographical areas. The four business lines are Services, Automation, Pulp and Energy, and Paper, which are responsible for product and solution development, global project and services sales and marketing, project and services execution, and global sourcing and production. The five geographical areas are North America, South America, EMEA, Asia-Pacific, and China. The geographical areas are responsible for local customer relationship management, services marketing, sales and delivery, and supporting for technology sales and project execution.

Valmet has over 220 years of industrial history and in its current form was created through the demerger of the Pulp, Paper, and Power segment from Metso Corporation ("**Metso**") in December 2013.

Valmet had 14,362 employees as at June 30, 2021, and for the six months ended June 30, 2021, Valmet's net sales amounted to EUR 1,801 million and operating profit amounted to EUR 161 million. For the six months ended June 30, 2021, 34.9 percent of Valmet's net sales came from the Services business line, 7.3 percent from the Automation business line, 26.0 percent from the Pulp and Energy business line, and 31.9 percent from the Paper business line. For the six months ended June 30, 2021, 38.9 percent of Valmet's net sales came from EMEA, 21.7 percent from North America, 10.5 percent from South America, 9.6 percent from Asia-Pacific, and 19.3 percent from China.

The following table sets forth certain key financial information of Valmet for the periods indicated below:

	For the six months ended June 30,		**For the year ended December 31,**
	2021	**2020**	**2020**
	(unaudited)	**(unaudited)**	**(audited, unless otherwise indicated)**
EUR million, unless otherwise indicated			
Net sales	1,801	1,740	3,740
Operating profit[2)]	161	104	319
EBITA[2)]	186	121	355[1)]
Comparable EBITA[2)]	175	128	365[1)]
Comparable EBITA, % of net sales[2)]	9.7%	7.4%	9.8%[1)]
Comparable return on capital employed (ROCE) before taxes, %	19%	17%	22%[1)]

[1)] Unaudited.
[2)] Alternative performance measure. See "*Selected Consolidated Financial Information – Selected Consolidated Financial Information of Valmet – Reconciliation of Alternative Performance Measures*".

Valmet is domiciled in Helsinki, Finland, and its registered address is Keilasatama 5, FI-02150 Espoo, Finland. Valmet's shares have been listed on Nasdaq Helsinki as of January 2, 2014.

[1] Valmet has a leading position in paper, board, tissue, pulp and energy industries as well as automation and services in terms of net sales.

Strategy

Valmet’s strategy is to develop and supply competitive process technology, services and automation for the pulp, paper, and energy industries. As part of the strategy, Valmet is committed to moving its customers’ performance forward with its unique offering and way to serve. Valmet’s vision is to become the global champion in serving its customers, and Valmet’s mission is to convert renewable resources into sustainable results.

Valmet implements its strategy through the following must-wins and accelerator programs:

- *Customer excellence* – As part of the “Customer excellence” must-win, Valmet focuses on providing the best customer service by having strong, capable and committed teams close to customers, and by providing customer benefits through Valmet’s integrated offering, which combines process technology, automation, and services.
- *Leader in technology and innovation* – Valmet’s “Leader in technology and innovation” must-win focuses on developing and providing products and services that reduce operating and investment costs of Valmet’s customers, while developing solutions that better meet their needs.
- *Excellence in processes* – Valmet’s “Excellence in processes” must-win focuses on continuously increasing Valmet’s efficiency and cost competitiveness by improving Valmet’s processes and operations.
- *Winning Team* – Valmet’s “Winning Team” must-win initiative seeks to ensure that Valmet’s capabilities are globally balanced and close to its customers, and that Valmet builds engaged and performance-driven teams.
- *Accelerator programs* – Valmet’s Accelerator programs target profitable growth in selected areas and businesses. The growth programs focus on the opportunities in field services, industrial internet and digitalization as well as in specific business growth opportunities.

Financial Targets

This section “Financial Targets” contains forward-looking statements. These statements are not guarantees of Valmet’s future financial performance. Valmet’s actual results of operations could differ materially from those expressed or implied by these forward-looking statements as a result of many factors, including but not limited to those described under “Risk Factors” and “– Outlook and Trend Information” below. For more information, see “Certain Matters – Forward-Looking Statements”. Any financial targets discussed herein are targets only and are not, and should not be viewed as forecasts, projections, estimates or views of Valmet’s future performance. This section “Financial Targets” concerns Valmet as a separate company and should not be interpreted or construed to concern the Combined Company after the Effective Date.

Valmet’s Board of Directors has adopted the following financial targets, which were published by Valmet on February 5, 2020:

- Net sales for stable business to grow over two times the market growth;
- Net sales for capital business to exceed market growth;
- Comparable EBITA: 10–12 percent;
- Comparable return on capital employed (ROCE) before taxes: at least 20 percent; and
- Dividend payout at least 50 percent of net profit.

Stable business refers to Services and Automation business lines. Capital business refers to Paper, and Pulp and Energy business lines.

History

Valmet has over 220 years of industrial history. Valmet in its current form was created through the demerger of the Pulp, Paper, and Power segment from Metso in December 2013. The completion of the demerger was registered with the Finnish Trade Register on December 31, 2013.

On January 15, 2015, Valmet and Metso signed an agreement on the sale of Metso’s Process Automation Systems business to Valmet. The acquisition was completed on April 1, 2015. The acquisition strengthened Valmet’s competitiveness by adding automation to Valmet’s offering, serving pulp, paper and energy and other process industries and further differentiating the company from its competitors. The acquired business formed Valmet’s fourth business line, Automation.

On August 6, 2015, Valmet completed its acquisition of the MC Paper Machinery and Focus Rewinding business, through purchase of 100 percent of the share capital of Valmet Pescia S.r.l. The acquired business became a part of Valmet’s Paper business line.

On October 2, 2018, Valmet announced that it had acquired Enertechnix Process Sensors, Inc. (Enertechnix), a high-tech combustion diagnostics and monitoring technology company based in the USA. The company develops innovative technologies for boiler imaging and temperature measuring. The acquired business became a part of Valmet's Automation business line.

On February 26, 2019, Valmet entered into an agreement to acquire North American-based GL&V, a global provider of technologies and services to the pulp and paper industry. The acquisition was completed on April 1, 2019. The acquired business was integrated into Valmet's Services and Paper business lines and North America area organization.

On May 1, 2019, Valmet completed the acquisition of J&L Fiber Services Inc., a manufacturer and provider of refiner segments to the pulp, paper, and fiberboard industry. The acquired business became a part of Valmet's Services business line, as Waukesha Service Center.

On June 17, 2020, Valmet agreed to acquire 14.88 percent of all Neles' shares and votes from Solidium. The acquisition was completed on July 1, 2020. Valmet continued to increase its shareholding in Neles and as at September 23, 2020, Valmet held approximately 29.54 percent of Neles' shares and votes. Valmet announced on September 29, 2020 that it had approached the Board of Directors of Neles with a proposal to start discussions on a potential statutory merger between the two companies. On October 12, 2020, Valmet announced that it sustains its goal to merge Valmet and Neles despite Neles' Board of Directors' negative response to Valmet's proposal, which Neles had announced on the same day.

On September 11, 2020, Valmet entered into an agreement to acquire PMP Group in Poland, a process technology and service provider for tissue, board, and paper machines globally. The acquisition was completed on October 1, 2020. The acquired business became part of Valmet's Paper business line. The former PMP Group's technology and services portfolio for small and medium-sized tissue, board, and paper machines complemented Valmet's paper technology and services for wide and fast machines and rebuilds.

On June 9, 2021, Valmet entered into agreements to acquire EWK Umwelttechnik GmbH, a German company manufacturing and supplying air emission control systems and services, and ECP Group, a Finnish manufacturer and maintainer of air emission control systems. The acquisitions complement Valmet's customer offering in environmental technologies and related services. On July 1, 2021, Valmet announced that the acquisitions had been completed and that EWK Umwelttechnik and ECP Group will be included in Valmet's financial reporting for the first time in Valmet's third quarter financial reporting 2021. The acquisitions were completed by Valmet on July 1, 2021 and became a part of Valmet's Pulp and Energy business line and EMEA area organization.

Business Lines

Valmet operates through the following four business lines:

- *Services* – Valmet's Services business line provides flexible and fit for purpose services to promote improved performance and reliability, environmental efficiency, safety and cost-effectiveness of customers' production processes over the lifecycle. The offering includes spare and process parts, workshop and roll services, paper machine clothing and filter fabrics, maintenance development and outsourcing, field services and process upgrades.
- *Automation* – Valmet's automation solutions range from single measurements to mill- or plant-wide process automation systems. The offering includes distributed control systems, quality management, analyzers and measurements, industrial internet solutions and automation services. They are designed to maximize the profitability and sustainability of customers' businesses by improving production performance, raw material and energy efficiency, and cost-effectiveness.
- *Pulp and Energy* – Valmet's Pulp and Energy business line provides technologies and solutions for pulp and energy production, as well as for biomass conversion and emission control. The technologies are designed to maximize the value of renewable raw materials, while increasing production efficiency and minimizing environmental impact.
- *Paper* – Valmet's Paper business line delivers complete production lines, machine rebuilds, and process components for board, tissue, and paper production. The technologies are designed for high process and environmental efficiency, flexibility, reliability, and safety. The solutions have a modular structure with a high degree of standardization, and they are designed to be easy-to-use and cost-effective.

The following table sets forth certain key financial information for Valmet by business line for the periods indicated:

	For the six months ended June 30,		For the year ended December 31,
	2021	2020	2020
	(unaudited)	(unaudited)	(audited, unless otherwise indicated)
EUR million			
Net sales			
Services	628	617	1,327
Automation	131	146	335
Pulp and Energy	469	506	1,003
Paper	574	472	1,076
Total	**1,801**	**1,740**	**3,740**
Orders received			
Services	756	726	1,356[1)]
Automation	194	173	334[1)]
Pulp and Energy	787	591	934[1)]
Paper	803	522	1,029[1)]
Total	**2,540**	**2,013**	**3,653**[1)]

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[1)] Unaudited.

Services

The Services business line provides services and solutions mainly for the pulp, board and paper, tissue, and energy industries, including spare and process parts, workshop and roll services, and paper machine clothing, filter fabrics all the way to field services, maintenance development, and outsourcing, as well as process upgrades. The services are complemented with Valmet's industrial internet solutions on site and remotely.

Valmet's services offering is designed to match the customer's specific need, whether it is reduced energy and raw material costs, reduced process variability, optimized quality and production, or enhanced environmental performance. Depending on the need, the service solution can be provided as a one-time delivery or as a longer-term partnership through service agreements.

Services are offered globally remotely or on site through Valmet's approximately 100 service centers and more than 6,000 service professionals. The largest geographical markets of the Services business line in January-June 2021, in terms of net sales were EMEA and North America.

Valmet has been constantly developing its services to improve the reliability and performance of its customers' production processes. Valmet believes that its unique combination of process technology, services, and automation and a very long industrial experience combined with customer closeness form a strong basis to help customers to achieve the desired maintenance and operational results.

Automation

The Automation business line supplies and develops automation and information management systems, applications, and services to companies in the pulp, paper, board, tissue, energy, and other process industries, as well as to the marine industry. The main products and solutions are Distributed Control Systems (DCS), Quality Control Systems (QCS), analyzers and measurements, industrial internet solutions, and automation services.

As at June 30, 2021, Valmet had delivered close to 5,000 automation systems and more than 100,000 analyzers and measurements since 1979. More than 1,200 power plants worldwide feature Valmet's process automation.

As at June 30, 2021, the Automation business line employed nearly 2,000 professionals working in more than 30 countries. The largest geographical market for the Automation business line in terms of net sales in January-June 2021, was EMEA, and the second largest area in terms of net sales was North America. In January-June 2021, more than half of the automation business consisted of services.

In 2020, approximately 20 percent of net sales of the Automation business line were generated when automation was sold as part of Valmet's process technology project delivery. The remaining 80 percent of net sales of the Automation business line were generated from solutions and services sold directly to customers.

Pulp and Energy

The Pulp and Energy business line supplies complete pulp mills, process islands, process equipment and related rebuilds for the chemical and mechanical -pulp production, as well as biomass- and waste-fueled power plants, boiler islands, and related environmental systems. The customers of the Pulp and Energy business line are mainly pulp producers and power and heat producers. The marine industry has provided business opportunities in the past years for selected environmental solutions such as marine scrubbers. The largest geographical markets are Europe, South America, and Asia.

Valmet's solutions for pulp production are designed for high raw material efficiency and low chemical and water consumption. Pulp is used mainly as a raw material in producing various paper grades, including board, tissue, and printing paper. It is also used for other applications such as textiles and hygiene products.

Valmet's energy products include boilers, gasifiers, environmental protection systems, and technology rebuilds. Valmet is a global supplier of biomass and municipal and industrial residual waste-based heat and power generation solutions. Valmet also supplies complete medium-scale heat and power plants that focus on using biomass and sorted waste.

Valmet's emission control solutions are designed to secure safe operation with low emissions. In addition to pulp and energy applications, Valmet has developed the technology to clean marine exhaust gas emissions.

Pulp and Energy provides also process equipment for selected biotechnology applications like lignin extraction, second generation bio-ethanol production as well as recycled and cellulose based textile fibres.

Deliveries in the Pulp and Energy business line are typically project based. Valmet typically enters into a bidding process for new projects. A typical pulp mill project lasts between 12 and 24 months and includes project management, engineering, manufacturing, delivery and start-up of equipment, and a responsibility for achieving agreed process parameters. The scope of contracts varies from equipment supply only to the delivery of full EPC scope (Engineering, Procurement and Construction, excluding civil works). Sales are typically under fixed price contracts.

Paper

The Paper business line supplies production lines, equipment, and machine rebuilds for the board, tissue, and paper industries. The equipment and solutions are designed to be fit-for-purpose with high efficiency, focusing especially on low energy, raw material and water consumption, high flexibility and safety. In Valmet's view, this allows customers to alter production quickly and concentrate on producing the end-products with the highest demand and increased competitiveness on the market in an environmentally sustainable manner.

Board, tissue, and paper are used for a wide variety of purposes, including packaging applications, hygiene products such as facial and bathroom tissue and paper towels, and writing and printing papers. Board, tissue, and paper are produced from virgin or recycled pulp.

The papermaking process includes several stages in which the pulp slurry is converted into board, tissue, or paper through forming, pressing, drying, and sizing. In addition, a paper mill includes technology and equipment for stock preparation, air systems, chemical handling, and paper finishing, such as reeling and winding as well as automation solutions.

In addition to new machines, there is also a market for machine rebuilds and improvements to increase production and improve end-product quality. Also, converting an existing paper machine to produce a different paper grade or relocating a paper machine is part of the offering. Modern paper machines are often built to be flexible and allow for the production of various paper grades.

In 2020, demand for new board machines was especially lively in China, and to some extent in Asia-Pacific, Europe, and North America. In June 2021, Valmet received a major order for pulp and paper technology from South America as well. Valmet's tissue making lines are delivered to tissue producers worldwide. The demand for board and tissue machines is driven by megatrends such as increasing packaging needs due to e-commerce, shift towards renewable materials and rise in purchasing power and living standards. The market for new paper machines has been on the other hand negatively impacted by the increased digitalization. The markets are global with the most active ones being EMEA, North America and China.

Deliveries in the Paper business line are typically project based. Valmet typically enters into a bidding process for new projects, and the project contracts are typically for a fixed monetary amount. After the contract is signed, projects typically take between 12 and 24 months to complete. Board and tissue machines represent the largest share of the backlog in the last ten years as orders for paper machines have been low due to the reduced demand for graphical paper grades. There is also demand for paper machine rebuilds to enable performance improvements, grade conversions and efficiency improvements.

Investments

For the six months ended June 30, 2021, Valmet's gross capital expenditure (excluding business combinations and leased assets) amounted to EUR 47 million, of which maintenance investments were EUR 21 million. For the year ended December 31, 2020, Valmet's gross capital expenditure (excluding business combinations and leased assets) amounted to EUR 89 million, of which maintenance investments were EUR 36 million. Capital expenditure was funded mainly from cash flow provided by operating activities.

For the six months ended June 30, 2021, and for the year ended December 31, 2020, capital expenditure was related mainly to investments in the new ERP (enterprise resource planning) system and in general developments relating to the business operations.

Valmet's management has not made material investments which are in progress with the exception of the ERP renewal and/or for which firm commitments have already been made between June 30, 2021 and the date of this Merger Prospectus. See also "– *History*" above on latest acquisitions made by Valmet.

Properties and Leased Properties

Valmet primarily operates both leased and owned premises. As at June 30, 2021, the carrying amount of the buildings and structures owned by Valmet was EUR 122 million. The properties are located mainly in Finland, China, Sweden, the United States and Brazil.

Intellectual Property

Valmet aims to protect innovations and create value through intellectual property rights, which include patents, utility models, design protections, trademarks, copyrights, and domain names.

Intellectual property rights relating to Valmet are generally owned by Valmet Technologies Oy, Valmet Automation Oy and Valmet AB. Valmet has an extensive portfolio of registered intellectual property rights. As at the date of this Merger Prospectus, Valmet had approximately 1,300 protected inventions in total.

Sustainability

Sustainability is at the core of Valmet's business strategy and operations. Valmet's values, Code of Conduct and related policies, and selected globally acknowledged initiatives and principles create the foundation for sustainable performance at Valmet.

The main tasks of Valmet's sustainability work is to support its strategy execution and growth plans, ensure transparent and sustainable business practices, mitigate risks and to bring tangible improvements to its customers' sustainability performance. Sustainability is integrated in Valmet's processes through the comprehensive Sustainability360° agenda. Valmet's Sustainability360° agenda covers the five most material sustainability focus areas: sustainable supply chain, health, safety and environment, people and performance, sustainable solutions, and corporate citizenship. The agenda is aligned with the United Nations Sustainable Development Goals and is executed through three-year action plans.

Valmet launched the agenda initially in early 2014 and has systematically worked to implement the actions for each focus area. In 2018, Valmet defined new action plans for 2019–2021 with detailed actions and targets for each focus area. The new action plans were defined based on an extensive agenda review, which is done annually against any changes in business targets, the business environment and stakeholder expectations. The sustainability agenda is approved by Valmet's Executive Team.

The targets defined for each focus area in the action plans for 2019–2021 are the following:

- *Sustainable supply chain* – Valmet develops its existing processes that create the foundation for a sustainable supply chain. Valmet creates new approaches to reduce the environmental impacts of its supply chain.
- *Health, safety and environment (HSE)* – Valmet invests in a safety culture and effective HSE processes and practices. Valmet collaborates with customers and partners to improve HSE results.
- *People and performance* – Valmet boosts employee engagement and develops the best talent. Valmet is a responsible employer and promotes diversity.
- *Sustainable solutions* – Valmet creates technologies and services that enhance renewable raw materials, and water and energy efficiency. Valmet actively promotes the sustainability benefits of Valmet's offering to meet customer needs.
- *Corporate citizenship* – Valmet aims to ensure its global human rights compliance through a due diligence framework. Valmet promotes transparent reporting and open dialogue with its stakeholders.

Valmet's stakeholders' expectations of Valmet's sustainability performance and its results are continuously growing and evolving. In 2021, Valmet will conduct an agenda review, assess the materiality of the current sustainability focus areas, and modify them if needed, as well as update its action plan for 2022–2024.

In addition, Valmet is committed to the Paris Agreement 1.5°C pathway. In March 2021, Valmet introduced its climate program – Forward to a carbon neutral future. The program includes ambitious CO_2 emission reduction targets and concrete actions for the whole value chain, including Valmet's own operations, the supply chain, and the use of Valmet's technologies by its customers. The program is aligned with the Paris Agreement 1.5°C pathway and the United Nations Sustainable Development Goals. Valmet's climate targets have been assessed and validated by the Science Based Targets Initiative.

The targets defined in Valmet's climate program are the following:

- reduce CO_2 emissions in Valmet's supply chain by 20 percent by 2030 (baseline 2019);
- reduce CO_2 emissions in Valmet's own operations by 80 percent by 2030 (baseline 2019); and
- enable 100 percent carbon neutral production for all Valmet's pulp and paper industry customers by 2030 by developing new process technologies and by improving the energy efficiency of Valmet's current technology offering by 20 percent by 2030 (baseline 2019).

In view of Valmet's management, Valmet's approach of continuously improving its performance has positioned Valmet as an industry leader in sustainability.[2] In 2020, Valmet was included in the Dow Jones Sustainability Indices (DJSI) and Ethibel Sustainability Index (ESI) Excellence Europe and received an A- leadership rating in CDP's climate program ranking. In January 2021, Valmet was awarded the Bronze Class Sustainability Award in SAM Sustainability Yearbook 2021.

Organization and Personnel

Group legal structure

At the date of this Merger Prospectus, Valmet Oyj is the parent company of the Valmet Group.

On June 30, 2021, Valmet had a total of 63 subsidiaries. The following table sets forth the subsidiaries as well as associated companies and joint ventures of Valmet along with respective ownership shares of Valmet as at June 30, 2021:

Subsidiaries of Valmet	**Consolidated shareholding and voting right (percent)**	**Country of incorporation**
Group companies		
Valmet Pty Ltd	100	Australia
Valmet GesmbH	100	Austria
Valmet Celulose Papel e Energia Ltda	100	Brazil
Valmet Fabrics Tecidos Técnicos Ltda	100	Brazil
GL&V Brasil Equipamentos, Comércio e Serviços Ltda	100	Brazil
Valmet Ltd.	100	Canada
Valmet S.A.	100	Chile
Valmet (China) Co., Ltd.	100	China
Valmet Automation (Shanghai) Co., Ltd.	100	China
Valmet Fabrics (China) Co., Ltd.	100	China
Valmet Paper (Shanghai) Co., Ltd.	100	China
Valmet Paper Technology (China) Co., Ltd.	100	China
Valmet Paper Technology (Guangzhou) Co., Ltd.	100	China
Valmet Paper Technology (Xi'an) Co., Ltd.	75	China
Valmet Technologies Co., Ltd.	100	China
Valmet Paper Machinery (Changzhou) Co. Ltd.	100	China
Valmet d.o.o.	100	Croatia
Valmet s.r.o.	100	Czech Republic
Valmet Technologies Oü	100	Estonia
Valmet Automation Oy	100	Finland
Valmet Kauttua Oy	100	Finland
Valmet Technologies Oy	100	Finland
Valmet Automation SAS	100	France
Valmet SAS	100	France
Valmet Deutschland GmbH	100	Germany
Valmet GmbH	100	Germany
Valmet Plattling GmbH	100	Germany
Valmet Technologies and Services Private Limited	100	India

[2] Based on Valmet's rankings in recent sustainability indices.

Valmet Technologies Private Limited	100	India
PT Valmet	100	Indonesia
PT Valmet Automation Indonesia	100	Indonesia
PT Valmet Technology Center	100	Indonesia
Valmet Como S.r.l	100	Italy
Valmet S.p.A.	100	Italy
Valmet Technologies S.R.L.	100	Italy
Valmet K.K.	100	Japan
GL&V Luxemburg S.à.r.l.	100	Luxembourg
Valmet Technologies Sdn. Bhd.	100	Malaysia
Valmet Technologies S. de R.L. de C.V.	100	Mexico
Valmet B.V.	100	Netherlands
Valmet AS	100	Norway
Valmet Automation Sp. z o.o.	100	Poland
Valmet Technologies Sp. z o.o.	100	Poland
PMPoland S.A.	100	Poland
Valmet Services Sp.z.o.o.	100	Poland
PMPKonmet Sp.z.o.o.	100	Poland
PMP Group Sp.z.o.o.	100	Poland
Inwestycja 2000 Sp.z.o.o.	100	Poland
Valmet Lda	100	Portugal
Valmet Inc.	100	Republic of Korea
Valmet Automation JSC	100	Russia
Valmet Pte. Ltd.	100	Singapore
Valmet South Africa (Pty) Ltd	100	South Africa
Valmet Technologies, S.A.U.	100	Spain
Valmet Technologies Zaragoza, S.L.	81	Spain
Valmet AB	100	Sweden
Valmet Co. Ltd.	100	Thailand
Valmet Selüloz Kagit ve Enerji Teknolojileri A.S.	100	Turkey
Valmet Process Technologies and Services LLC	49	United Arab Emirates
Valmet Automation Limited	100	United Kingdom
Valmet Ltd	100	United Kingdom
Valmet, Inc.	100	USA
Valmet Technologies and Services Co., Ltd.	100	Vietnam
Joint arrangements and associated companies		
Neles Corporation	29.54	Finland
Allimand S.A.	35.8	France
Nanjing SAC Valmet Automation Co., Ltd.	21.95	China
Valpro gerenciamento de obras Ltda	51.0	Brazil

Employees

Valmet had a total of 14,362 employees as at June 30, 2021.

The following table presents Valmet's employees by geographical area as at June 30, 2021.

Number of employees by area	**As at June 30, 2021**
North America	1,508
South America	602
EMEA	9,457
China	1,872
Asia-Pacific	923
Total	**14,362**

The following table presents Valmet's employees by business line as at June 30, 2021.

Number of employees per business line	**As at June 30, 2021**
Services	6,115
Automation	1,974
Pulp and Energy	1,897
Paper	3,754
Other	622
Total	**14,362**

Material Agreements

Except as set forth below, Valmet has not entered into (i) material agreements outside of its ordinary course of business during the two financial years immediately preceding the date of this Merger Prospectus or (ii) other agreements outside its ordinary course of business based on which a company belonging to the Valmet Group would have material obligations or rights as at the date of this Merger Prospectus that are material from the Valmet Group's perspective.

Combination Agreement

Valmet and Neles announced on July 2, 2021 that they had entered into the Combination Agreement and signed the Merger Plan according to which Neles shall be merged into Valmet through a statutory absorption merger in accordance with the Finnish Companies Act. See "*Merger of Valmet and Neles – Combination Agreement*" and "*Merger of Valmet and Neles – Merger Plan*".

Financing arrangements

In order to support and finance the completion of the Merger, Valmet and Neles have entered into re- and back-up financing agreements with Danske Bank and Nordea. For more information, see "*Information on the Combined Company – Financing*" and "*Information on the Combined Company – Certain Other Financing Arrangements*".

Insurance

Valmet has insurance policies covering certain, but not all aspects of its operations and risks, such as property damage and business interruption, liability insurances as well as cargo insurance and employer's statutory insurances. Valmet believes that its existing insurance policies are adequate, in terms of both the amounts covered and the conditions of coverage, so as to be able to cover the insurable significant risks of its business, taking into account the cost of the insurance coverage and the potential risks to business operations and company assets.

Legal Proceedings

Valmet becomes involved from time to time in various claims and legal proceedings arising in the ordinary course of business, such as employee claims, disputes with suppliers, customers and competitors, and various authority proceedings. Except for the proceedings described below, there are no governmental, legal or arbitration proceedings (including any proceedings, which are pending or threatened, of which Valmet is aware) which may have, or have had in the past 12 months, a significant effect on the financial position or profitability of Valmet and/or the Valmet Group. Valmet notes, however, that the outcome of any current or future legal proceedings can be extremely difficult to predict, and Valmet offers no assurances in this regard.

Reassessment decision from the Finnish Tax Administration

Valmet announced on December 22, 2016, that it has received a reassessment decision from the Finnish Tax Administration for Valmet Technologies Inc. The reassessment decision is a result of a tax audit carried out in the company, concerning tax years 2010–2012. During the first quarter 2017, Valmet paid additional taxes, late payment interests and penalties in total of EUR 19 million related to the reassessment decision. Valmet considers the Finnish Tax Administration's decision unfounded and has appealed of the decision.

Outlook and Trend Information

This section "Outlook and Trend Information" contains forward-looking statements. These statements are not guarantees of Valmet's future financial performance. Valmet's actual result or financial position may differ in a material way from the result or financial position contained in or implied by the forward-looking statements due to several different factors, which are described, among others, in section "Risk Factors". For more information, see "Certain Matters – Forward-looking statements". This section "Outlook and Trend Information" concerns Valmet as a separate company and should not be interpreted or construed to concern the Combined Company after the Effective Date. Undue reliance should not be placed on these forward-looking statements.

Valmet's guidance set out below has been prepared on a basis which is (i) comparable with Valmet's historical financial information and (ii) consistent with Valmet's accounting policies.

Valmet's guidance set out below is based on, inter alia, the estimates and assumptions made by Valmet's management as regards the order intake outlook, the customer activity, the size, duration and margin estimates of the backlog, the workload of the operations, the cost estimations, and other items. The key factors affecting the results of operations that Valmet can affect are, for example, efficiency and scope of its own operations. Factors beyond Valmet's control are, e.g., related to the duration of the COVID-19 pandemic and the measures to fight the pandemic as well as the timing of customers' purchase decisions, customer activity and demand, inflation in raw material prices and subcontracting, and *general economic conditions. Valmet's guidance includes the following uncertainties that may materially change the outcome of the guidance: development of order intake, changes in customer activity, customers' purchase decisions and delays in those decisions, changes in the size, duration and margins of the backlog, changes in cost estimations and changes in general economic situation.*

Guidance for 2021

Valmet estimates that net sales in 2021 will increase in comparison with 2020 (EUR 3,740 million) and Comparable EBITA in 2021 will increase in comparison with 2020 (EUR 365 million).

Short-term market outlook

In addition to guidance, Valmet publishes a short-term market outlook on a quarterly basis. The short-term market outlook is based on customer activity (50%) and Valmet's capacity utilization (50%) and is given for the next six months from the end of the respective quarter. The scale is 'weak-satisfactory-good'. As at June 30, 2021, Valmet estimated that the short-term market outlook is good/satisfactory for services, good for automation, pulp, board and paper, and tissue, and weak for energy.

Impact of the COVID-19 pandemic

The COVID-19 pandemic impacted Valmet's operations during the first half of 2021. COVID-19 related travel restrictions and lower capacity utilization in graphical paper mills impacted Services' business environment. Many customers restricted access to their sites, which led to disturbances especially in field services and mill improvement projects. Also the Automation business line was negatively impacted by access restrictions to some customer sites.

The COVID-19 pandemic impacted Valmet's operations also during the first half of 2020. The pandemic had a negative impact on orders received and net sales in all businesses of the Services business line. Many customers restricted access to their sites, which led to disturbances especially in field services and mill improvement projects. Also the Automation business line was impacted by access restrictions to some customer sites.

The Pulp and Energy, and Paper business lines have managed challenges caused by COVID-19 well, and therefore the pandemic has not caused major impacts on the capital business during the first half of 2021. The organization has performed well under the new circumstances and found new ways to operate, which can be utilized to improve Valmet's and its customers' processes also after the pandemic. For example, the increased use of industrial internet and remote connections resulted in lower travel expenses during the six months ended June 30, 2021.

On November 24, 2020, Valmet announced that due to financial and production related reasons, especially because of the decreasing workload, Valmet was to start codetermination negotiations for temporary lay-offs in Finland on November 24, 2020. The employees under negotiations were Services business line's employees in Finland and the employees of the EMEA area organization in Finland. The lay-offs were estimated to last up to 90 days at maximum and to concern around 360 employees. In the Pulp and Energy, and Paper business lines, COVID-19 caused progress delays in projects and led to some delays in the supply chain network during the first half of 2020. On the other hand, the pandemic resulted in lower travel expenses.

On December 2, 2020, Valmet announced that the co-determination negotiations have been completed, and as a result altogether 372 employees, 227 in the Services business line and 145 employees in the EMEA area organization in Finland were to be temporarily laid-off due to low workload. The lay-offs concerned all employee groups. The lay-offs were to be implemented until the end of April 2021, and the scope and length of a lay-off varied up to 90 days at maximum per person.

Market development by business lines

Services

For the six months ended June 30, 2021, orders received by the Services business line remained at the previous year's level and amounted to EUR 756 million (EUR 726 million for the six months ended June 30, 2020). Services accounted for 30 percent (36 percent for the six months ended June 30, 2020) of all orders received. Orders received increased in North America, China and South America, remained at the previous year's level in Asia-Pacific, and decreased in EMEA. Orders received increased in Board, Paper and Tissue Solutions, and Rolls, and remained at the previous year's level Performance Parts, Fabrics, and Pulp and Energy Solutions. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2020 decreased orders received by approximately EUR 21 million.

For the six months ended June 30, 2021, net sales for the Services business line amounted to EUR 628 million (EUR 617 million for the six months ended June 30, 2020), corresponding to 35 percent (35 percent for the six months ended June

30, 2020) of Valmet's net sales. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2020 decreased net sales by approximately EUR 16 million.

COVID-19 related travel restrictions and lower capacity utilization in graphical paper mills impacted Services' business environment during the first half of 2021. COVID-19 had a negative impact on all service businesses during the first half of 2020.

Automation

For the six months ended June 30, 2021, orders received by the Automation business line increased 12 percent to EUR 194 million (EUR 173 million for the six months ended June 30, 2020). Automation accounted for 8 percent (9 percent for the six months ended June 30, 2020) of Valmet's orders received. Orders received increased in EMEA and China, remained at the previous year's level in Asia-Pacific, and decreased in South America and North America. Orders received increased in Pulp and Paper and decreased in Energy and Process. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2020 decreased orders received by approximately EUR 4 million.

For the six months ended June 30, 2021, net sales for the Automation business line amounted to EUR 131 million (EUR 146 million for the six months ended June 30, 2020), corresponding to 7 percent (8 percent for the six months ended June 30, 2020) of Valmet's net sales. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2020 decreased net sales by approximately EUR 4 million.

COVID-19 caused access restrictions to some customer sites, which impacted Automation's business environment during the first half of 2020 and 2021.

Pulp and Energy

For the six months ended June 30, 2021, orders received by the Pulp and Energy business line increased 33 percent to EUR 787 million (EUR 591 million for the six months ended June 30, 2020). Pulp and Energy accounted for 31 percent (29 percent for the six months ended June 30, 2020) of all orders received. Orders received increased in all other areas except for South America, where orders received decreased. Orders received increased in Pulp and decreased in Energy. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2020 decreased orders received by approximately EUR 2 million.

For the six months ended June 30, 2021, net sales for the Pulp and Energy business line amounted to EUR 469 million (EUR 506 million for the six months ended June 30, 2020), corresponding to 26 percent (29 percent for the six months ended June 30, 2020) of Valmet's net sales. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2020 decreased net sales by approximately EUR 5 million.

The Pulp and Energy business line has managed challenges caused by COVID-19 well, and therefore the pandemic did not cause major impacts on its operations during the first half of 2021. COVID-19 caused progress delays in projects and led to some delays in the supply chain network during the first half of 2020.

Paper

For the six months ended June 30, 2021, orders received by the Paper business line increased 54 percent to EUR 803 million (EUR 522 million for the six months ended June 30, 2020). Paper accounted for 32 percent (26 percent for the six months ended June 30, 2020) of all orders received. Orders received increased in all other areas except for Asia-Pacific, where orders received decreased. Orders received increased in Stock Preparation and Recycled Fiber, Board and Paper, and Tissue. Small and Medium size Machines (the acquired PMP Group) contributed EUR 25 million to orders received. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2020 decreased orders received by approximately EUR 20 million.

For the six months ended June 30, 2021, net sales for the Paper business line amounted to EUR 574 million (EUR 472 million for the six months ended June 30, 2020), corresponding to 32 percent (27 percent for the six months ended June 30, 2020) of Valmet's net sales. Small and Medium size Machines (the acquired PMP Group) contributed EUR 37 million to net sales. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2020 decreased net sales by approximately EUR 9 million.

The Paper business line has managed challenges caused by COVID-19 well, and therefore the pandemic did not cause major impacts on its operations during the first half of 2021. COVID-19 caused access restrictions to some customer sites and led to some delays in the supply chain network during the first half of 2020.

Overview of Disclosed Information over the Last 12 Months Relevant as at the Date of This Merger Prospectus

In addition to notifications of transactions by persons discharging managerial responsibilities at Valmet or their related parties, Valmet has disclosed the following information under the Market Abuse Regulation (EU) No 596/2014 over the last 12 months preceding the date of this Merger Prospectus, which, to Valmet's knowledge, are still relevant as at the date of this Merger Prospectus.

Disclosures relating to the Merger

On September 29, 2020, Valmet announced that it has approached the Board of Directors of Neles with a proposal to start discussions on a potential statutory merger between the two companies. On October 12, 2020, the Board of Directors of Neles announced a negative response to Valmet's proposal. However, Valmet sustained its goal to merge Valmet and Neles.

On July 2, 2021, Valmet and Neles announced that they had entered into the Combination Agreement and signed the Merger Plan according to which Neles shall be merged into Valmet through a statutory absorption merger in accordance with the Finnish Companies Act. See "*Merger of Valmet and Neles – Overview of the Merger*".

Valmet's Board of Directors, Management and Auditors

General

Pursuant to the provisions of the Finnish Companies Act and the Articles of Association of Valmet, the management and governance of Valmet are divided between the shareholders, the Board of Directors and the President and Chief Executive Officer (the "**President and CEO**") of Valmet. The President and CEO of Valmet, assisted by the Executive Team, oversees the day-to-day operative management of Valmet and its businesses.

The shareholders of Valmet exercise their decision-making power at the General Meeting of Shareholders. The matters to be dealt with in the General Meeting of Shareholders are defined in the Finnish Companies Act and Valmet's Articles of Association. The shareholders participate in the administration and management of Valmet through resolutions passed at the General Meetings of Shareholders. The General Meeting of Shareholders of Valmet is convened to be held annually within six months from the end of the previous financial year upon notice given by the Board of Directors. In addition, a General Meeting of Shareholders of Valmet is held when requested in writing by the auditor of Valmet or by shareholders representing at least one-tenth of all the shares in Valmet in order to discuss a certain matter.

Corporate Governance

Valmet complies with the Corporate Governance principles defined by the Board of Directors. These principles are based on the Finnish Companies Act and the Finnish Securities Markets Act. Valmet's decision-making and governance also complies with other Finnish legislation and regulations, the Market Abuse Regulation, Valmet's Articles of Association, the Guidelines for insiders of Listed Companies published by Nasdaq Helsinki as well as the Helsinki Takeover Code published by the Securities Market Association.

In addition, Valmet complies without deviation with the Finnish Corporate Governance Code 2020 adopted by the Securities Market Association and it is publicly available on the website of the Finnish Securities Market Association at www.cgfinland.fi.

Shareholders' Nomination Board

Valmet's Annual General Meeting resolved on March 26, 2014 to establish a Shareholders' Nomination Board (the "**Nomination Board**") to prepare proposals concerning the election and remuneration of the members of the Board of Directors to the General Meetings.

The Nomination Board has five (5) members, and it consists of representatives nominated by the four largest shareholders of Valmet and the Chairman of Valmet's Board of Directors, who will serve as the Nomination Board's expert member.

The right to nominate representatives shall be vested with the four (4) shareholders of Valmet having the largest share of the votes represented by all the shares in Valmet annually on September 1 based on the company's shareholders' register held by Euroclear Finland. However, if a shareholder who has distributed his/her holdings, *e.g.*, into several funds and has an obligation under the Finnish Securities Markets Act to take these holdings into account when disclosing changes in share of ownership makes a written request to such effect to the Chairman of the Board of Directors no later than on August 31, such shareholder's holdings in several funds or registers will be combined when calculating the share of votes which determines the nomination right. Should a shareholder not wish to exercise his/her nomination right, the right shall be transferred to the next largest shareholder who otherwise would not be entitled to nominate a member.

The Chairman of the Board of Directors shall convene the first meeting of the Nomination Board and the Nomination Board shall elect a chairman from among its members. The Nomination Board shall give its proposal to the Board of Directors annually no later than January 31 preceding the next Annual General Meeting. The term of the Nomination Board ends each year upon the appointment of the new Nomination Board.

Board of Directors

Pursuant to the Articles of Association, Valmet's Board of Directors consists of no less than five (5) and no more than eight (8) members. The members of the Board of Directors will be elected for a term expiring at the closing of the following Annual General Meeting. The members of the Board of Directors may be appointed or removed only by a shareholders' resolution at a General Meeting of Shareholders.

The Board of Directors is responsible for the administration and the proper organization of the operations of Valmet. The Board of Directors is responsible for the appropriate arrangement of the supervision of Valmet's accounts and finances and decides on group wide significant matters of principal importance. The Board of Directors appoints and dismisses the President and CEO, monitors and evaluates his or her performance and decides on his or her remuneration and benefits. The Board of Directors also decides on significant matters related to strategy, investments, organization and finances and ensures that Valmet has established the corporate values applied to its operations.

The duties of the Board of Directors are defined in the Finnish laws and regulations, Valmet's Articles of Association, Finnish Corporate Governance Code and Valmet's Corporate Governance and in the Charters of the Board. The Board of Directors has two permanent committees: The Audit Committee and the Remuneration and HR Committee. The Board of Directors elects the members of the committees from among its members at its annual organizing meeting and monitors the activities of the committees.

The Board of Directors shall not make decisions or take other measures that are conducive to conferring an undue benefit to a shareholder or another person at the expense of Valmet or another shareholder. The Board of Directors shall act with due care and promote the interests of Valmet and all its shareholders.

The following table presents the members of Valmet's Board of Directors as at the date of this Merger Prospectus:

Name	**Year of birth**	**Position**	**Nationality**	**Appointed to the Board of Directors**
Mikael Mäkinen	1956	Chairman (since 2019)	Finnish	2019
Aaro Cantell	1964	Vice-Chairman	Finnish	2016
Pekka Kemppainen	1954	Member	Finnish	2018
Monika Maurer	1956	Member	German	2018
Eriikka Söderström	1968	Member	Finnish	2017
Tarja Tyni	1964	Member	Finnish	2016
Rogério Ziviani	1956	Member	Brazilian	2013
Per Lindberg	1959	Member	Swedish	2021

Name:	**Background:**
Mikael Mäkinen Born 1956, Master of Science (Engineering) **Chairman of the Board of Directors since 2019**	*Rolls-Royce Plc,* President, Marine and Member of the Executive Team (2014–2019) *MacGregor Finland Oy*, President (2012–2014) *Cargotec Corporation*, President and CEO (2006–2012) *Wärtsilä Group,* several positions (1982–2006) **Memberships in other Boards of Directors and positions of trust** *Aker Arctic Technology Inc,* Chairman of the Board of Directors (2021–) *Bukit Timah Ab,* Chairman of the Board of Directors (2021–) *Finnlines Plc,* Member of the Board of Directors (2018–) *Stora Enso Oyj,* Member of the Board of Directors (2010–2018) *ICC Finland,* Member of the Board of Directors (2009–2014), Chairman of the Board of Directors (2011–2012) *Lemminkäinen Corporation,* Member of the Board of Directors (2009–2013) *Technology Industries of Finland,* Member of the Board of Directors (2008–2011)

	Finpro Oy, Chairman/Member of the Board of Directors (2009–2011) *Glaston Corporation*, Member of the Board of Directors (2008–2009) *Volvo Penta AB,* Member of the Board of Directors (2005–2008) *Deltamarin Oy,* Member of the Board of Directors (2004–2008)
Aaro Cantell Born 1964, Master of Science (Technology) **Member of the Board of Directors since 2016** **Vice Chairman of the Board of Directors since 2018**	*Normet Group Ltd*, Entrepreneur (2005–), Managing Director (2019) *Fenno Management Ltd,* Managing Partner (2001–2021) *Finnish Innovation Fund Sitra*, Investment Director (1993–1997) *Cantell Oy,* Consultant (1992–1993) *Fibox Oy Ab*, Product Marketing Manager (1990–1992) **Memberships in other Boards of Directors and positions of trust** *Kiinteistö Oy Hirsalan Onnela,* Member of the Board of Directors (2021–) *Technology Industries of Finland Centennial Foundation,* Chairman of the Board of Directors (2021–) *Solidium Oy,* Member of the Board of Directors (2016–) *Normet Conecto Ltd,* Chairman of the Board of Directors (2008–2015, 2020–), Member of the Board of Directors (2002–2008, 2015–2019) *Normet Group Ltd*, Chairman of the Board of Directors (2005–), Member of the Board of Directors (2005) *Normet Corporation,* Chairman of the Board of Directors (1999–2000, 2005–), Member of the Board of Directors (1999, 2000–2005) *Cantell Oy*, Chairman and/or Member of the Board of Directors (1988–) *Normet Management Oy*, Chairman of the Board of Directors (2013–2021) *Fenno Management Oy,* Member of the Board of Directors (1997–2000, 2004–2021), Chairman of the Board of Directors (2000–2004) *VTT Technical Research Centre of Finland Ltd,* Chairman of the Board of Directors (2015–2019), Member of the Board of Directors (2014–2015) *Affecto Ltd,* Member of the Board of Directors (2000–2004, 2017), Chairman of the Board of Directors (2004–2017) *Affecto Securities Oy,* Chairman of the Board of Directors (2004–2005, 2006–2017), Member of the Board of Directors (2000–2004) *AMP Sailing Avoin yhtiö,* Partner (2006–2016)
Pekka Kemppainen Born 1954, Licentiate of Science (Technology) **Member of the Board of Directors since 2018**	*KONE Corporation*, Executive Advisor (2017), Executive Vice President, Service Business (2010–2017), Executive Vice President**,** Area Director, Asia Pacific, Hong Kong (2004–2010), Senior Vice President, New Equipment Business (1999–2004), several positions (1984–1999) *KONE Elevators Pty Ltd*, Managing Director (2017) **Memberships in other Boards of Directors and positions of trust** *Nestor Cables Oy*, Chairman of the Board of Directors (2021–) *Nestor Cables Oy*, Member of the Board of Directors (2020–2021) *Bittium Corporation,* Member of the Board of Directors (2019–) *Junttan Oy,* Member of the Board of Directors (2018–)
Monika Maurer Born 1956, Diploma in Physics and Chemistry, Diploma in Pedagogy **Member of the Board of Directors since 2018**	*Radio Frequency Systems (RFS)*, President & CEO (2019–) *Nokia Corporation*, Chief Operating Officer (2017), Chief Operating Officer, Fixed Networks Business Group (2016–2017) *Alcatel-Lucent S.A.*, Chief Operating Officer, Fixed Networks Business Line (2012–2016), Vice President, Presales EMEA (2010–2012), President, Product Attached Services Division (2009–2010)

	Alcatel Shanghai Bell Co. Ltd., Executive Vice President, Supply Chain and Procurement (2006–2008) *Alcatel S.A.*, President, Fixed Solutions Division (2005–2006), President, Voice Networks Division (2004), several positions (1985–2004) **Memberships in other Boards of Directors and positions of trust** *Nokia Shanghai Bell Co. Ltd.*, Vice Chairman of the Board of Directors (2018–), Member of the Board of Directors (2017–), Member of HR and Remuneration Committee (2017–)
Eriikka Söderström Born 1968, Master of Science (Economics) **Member of the Board of Directors since 2017**	*F-Secure Corporation*, Chief Financial Officer (2017–2021 (until the end of September)) *KONE Corporation*, Chief Financial Officer (2014–2016), Corporate Controller (2013–2014) *Vacon Ltd*, Chief Financial Officer (2009–2013) *Oy Nautor Ab*, Management Consultant (2010), Chief Financial Officer (2008–2009) *Nokia Corporation*, several senior finance and control roles (1994–2007) *Ab Börsligan Oy*, CEO (2005–) **Memberships in other Boards of Directors and positions of trust** *Bekaert Group,* Member of the Board of Directors (2020–) *Comptel Oy,* Chairman of Audit Committee (2016–2017), Member of the Board of Directors (2012–2017) *DF-Data Oy,* Chairman of the Board of Directors (2017–) *F-Secure Cyber Security Services Oy,* Chairman of the Board of Directors (2017–) *KONE Elevators Ltd,* Member of the Board of Directors (2014–2016) *Finescal Ltd,* Member of the Board of Directors (2013–2016) *Ab Börsligan Oy,* Deputy Member of the Board of Directors (2005–) *University of Vaasa,* Member of the Board of Directors (1992–1993) *Student Union of Vaasa University,* Secretary General (1991–1993) Eriikka Söderström also acts as a member of the Boards of Directors in several foreign subsidiaries of F-Secure Corporation.
Tarja Tyni Born 1964, Master of Laws **Member of the Board of Directors since 2016**	*Mandatum Life Insurance Company Limited*, Senior Vice President, Corporate and Private Wealth Management (2008–) *Nordea Bank Finland Abp*, Head of Corporate Finance and Equities (2007–2008) *Nordea Corporate Finance Oy*, Executive Director (1996–2007) *Merita Bank Ltd,* Vice President, Debt Issues (1995–1996) *Union Bank of Finland Ltd*, Vice President, Debt Issues (1989–2005) **Memberships in other Boards of Directors and positions of trust** *Mandatum Incentives Oy,* Chairman of the Board of Directors (2021–) *Mandatum Asset Management Ltd,* Chairman of the Board of Directors (2015–2021) *Euroben Life & Pension Ltd (currently Euroben Life & Pension Designated Activity Company),* Member of the Board of Directors (2011–2017) *Innova Palvelut Oy*, Chairman of the Board of Directors (2014–2017, 2011–2012), Member of the Board of Directors (2012–2014)

Rogério Ziviani Born 1956, Bachelor of Science (Business Management), Master of Business Administration **Member of the Board of Directors since 2013**	*Suzano Papel e Celulose S.A.*, Head of Pulp Business Unit (2004–2008), International Business & Logistic Executive Director (2001–2004) *BahiaSul Celulose S.A.*, Executive Director (1990–2001) **Memberships in other Boards of Directors and positions of trust** *Innovatech Negócios Florestais* S/S Ltda., Member of the Board of Directors (2015–) *Contax Participações S.A.,* Member of the Board of Directors (2012–2015) *Autometal S.A.,* Member of the Board of Directors (2013–2014) *HSBC, SRI – FI – Sustainability Fund*, Member of the Board of Directors (2011–2014) *São Carlos Empreendimentos e Participações S.A.*, Member of the Board of Directors (2011–2013) *Marcopolo S.A.,* Member of the Board of Directors (2010–2012) *Duratex S.A.*, Member of the Board of Directors (2009–2011)
Per Lindberg Born 1959, Master of Science (Mechanical Engineering), Doctor of Philosophy (Industrial Management and Economics) **Member of the Board of Directors since 2021**	*Peymar Holding AB*, Senior Advisor (2020–) *Epiroc AB*, President and CEO (2018–2020) *BillerudKorsnäs AB*, President and CEO (2012–2017) *Billerud AB*, President and CEO (2005–2012) *Investment AB Kinnevik*, Vice President (2004–2005) *Korsnäs AB*, President (2001–2005) *Applied Value Corporation*, Management Consultant (1997–2001) *Chalmers University of Technology*, Associate Professor (1990–1997) **Memberships in other Boards of Directors and positions of trust** *Boliden AB,* Member of the Board of Directors (2021–) *Nordic Brass Gusum AB,* Chairman of the Board of Directors (2021–) *Permascand AB,* Chairman of the Board of Directors (2020–) *Permascand Top Holding AB,* Chairman of the Board of Directors (2021–) *Permascand Group AB,* Chairman of the Board of Directors (2021–) *Premium Svensk Lax AB,* Chairman of the Board of Directors (2020–) *Gusums Bruk Industrier AB,* Chairman of the Board of Directors (2021–) *Peymar Holding AB,* Chairman of the Board of Directors (2017–) *Bergvik Skog AB,* Member of the Board of Directors (2015–2017) *Nordstiernan AB,* Member of the Board of Directors (2014–2017) *SP AB,* Member of the Board of Directors (2013–2014) *Middlepoint AB,* Member of the Board of Directors (2011–2021) *YKI AB,* Chairman of the Board of Directors (2010–2012) *Acando AB,* Member of the Board of Directors (2006–2009)

Committees of the Board of Directors

Valmet's Board of Directors has two permanent committees: the Audit Committee and the Remuneration and HR Committee. The Board of Directors elects the members of the committees from among its members at its annual assembly meeting and monitors the activities. Both committees have charters approved by the Board of Directors and report to the Board on their activities after each Committee meeting.

Audit Committee

The Audit Committee monitors Valmet's financial reporting and prepares issues for the Board of Directors related to the monitoring of Valmet's financial situation, financial reporting, auditing, and risk management. The Audit Committee convenes at least four times a year and consists of members elected by the Board of Directors from among its members. The majority of the members must be independent of Valmet and at least one member shall be independent of Valmet's significant shareholders. The members of the Audit Committee must have the qualifications necessary to perform the responsibilities of the committee and at least one member must have expertise specifically in accounting, bookkeeping or auditing.

Among other things, the Audit Committee:

- assesses Valmet's draft financial statements and interim reports, accounting policies, accounting principles of significant or exceptional business transactions, management forecasts and statements relating to Valmet's short-term outlook;
- assesses compliance with laws and provisions and with internal instructions, as well as assesses the efficiency of internal control and risk management;
- approves the audit plans of internal and independent auditors and follows up reporting related to these plans;
- prepares for the election of independent auditors, monitors the statutory auditing of the financial statements and consolidated financial statements, assesses and reviews the auditors' reports with the auditors, and assesses the quality and scope of the audit. Additionally, it assesses the independence of the auditors, particularly any impact on independence arising from other services they offer to Valmet;
- pre-approves all non-audit services provided by the independent auditors;
- assesses Valmet's financial reporting and reporting methods in collaboration with Valmet's management, internal audit and an external auditor or other external experts;
- reviews Valmet's Corporate Governance Statement;
- approves the procurement principles for external auditing services and an external auditor's annual auditing fees;
- maintains procedures enabling the receipt and processing of complaints related to accounting, internal control and internal auditing, and the potential anonymous and confidential reporting by employees of misconduct, fraud, and accounting and auditing issues.

The current members of the Audit Committee are Eriikka Söderström (Chairman), Tarja Tyni and Pekka Kemppainen.

Remuneration and HR Committee

The committee convenes at least twice a year and consists of the committee chairman and at least two members. The President and CEO participates in the meetings, excluding those situations, in which the agenda item relates to him or her. The Remuneration and HR Committee focuses on the development of remuneration plans of the President and CEO and the other executives as well as the remuneration principles in general observed by Valmet and in accordance with its charter, the Remuneration and HR Committee among other things:

- prepares and makes proposals to the Board of Directors for incentive systems and plans, both long-term and short-term;
- reviews and monitors the competitiveness of Valmet's remuneration and incentive systems and the development of personnel related issues, such as competence and talent development and successor planning of Valmet's senior management;
- evaluates the performance and compensation of the President and CEO;
- prepares and makes proposals to the Board of Directors for the compensation and benefits of the President and CEO;
- makes proposals to the Board of Directors for the appointment of the Executive Team members, based on the President and CEO's preparation;
- decides upon the remuneration and benefits of the Executive Team members;
- reviews the remuneration policy and remuneration report.

The current members of the Remuneration and HR Committee are Mikael Mäkinen (Chairman), Aaro Cantell and Monika Maurer.

President and CEO

The President and CEO manages Valmet's operations in accordance with the Finnish Companies Act, corporate governance rules and the instructions given by the Board of Directors. The President and CEO guides and supervises the operations of Valmet and its businesses. In addition, the President and CEO ensures that the accounts of Valmet comply with Finnish law and that its financial affairs have been arranged in a reliable manner. The duties of the President and

CEO are governed primarily by the Finnish Companies Act. The President and CEO shall provide the Board of Directors and its members with the information necessary for the performance of the duties of the Board of Directors.

The President and CEO is appointed – and, if necessary, dismissed – by the Board of Directors, and he reports to the Board of Directors about, for example, Valmet's financial situation, business environment and other significant issues. The President and CEO prepares the matters on the agenda of the Board of Directors and its committees and implements their decisions. The President and CEO is also responsible for ensuring that Valmet is managed in compliance with applicable laws and regulations. The President and CEO participate in the meetings of the Board of Directors.

Pasi Laine (born 1963) has served as Valmet's President and CEO since 2013.

Executive Team

The President and CEO and other members appointed by the Board of Directors constitute the Executive Team of Valmet. The President and CEO acts as chairman of the Executive Team. The Executive Team is not a decision-making body of Valmet. The Executive Team assists the President and CEO in the preparation of matters, such as Valmet's business plan, strategies, policies and other operative matters of joint importance.

The following table presents the members of Valmet's Executive Team as at the date of this Merger Prospectus:

Name	**Year of birth**	**Position**	**Nationality**	**Appointed**
Pasi Laine	1963	President and CEO	Finnish	2013
Aki Niemi	1969	Business Line President, Services	Finnish	2017
Sami Riekkola	1974	Business Line President, Automation	Finnish	2018
Bertel Karlstedt	1962	Business Line President, Pulp and Energy	Finnish	2015
Jari Vähäpesola	1959	Business Line President, Paper	Finnish	2013
Jukka Tiitinen	1965	Area President, North America	Finnish and US	2021
Celso Tacla	1964	Area President, South America	Brazilian	2013
Vesa Simola	1967	Area President, EMEA	Finnish	2015
Xiangdong Zhu	1967	Area President, China	Chinese	2017
Petri Paukkunen	1966	Area President, Asia Pacific	Finnish	2021
Julia Macharey	1977	Senior Vice President, Human Resources and Operational Development	Finnish	2013
Kari Saarinen	1961	CFO	Finnish	2015
Anu Salonsaari-Posti	1968	Senior Vice President, Marketing, Communications, Sustainability and Corporate Relations	Finnish	2013

Name:	**Background:**
Pasi Laine Born 1963, Master of Science (Engineering) **President and CEO since 2013**	*Metso Corporation,* Executive Vice President, Deputy to the CEO (2011–2013), President, Pulp, Paper and Power (2011–2013), President, Paper and Fiber Technology (2011), President, Energy and Environmental Technology (2008–2011), President, Automation (2006–2011), President, Automation, Field Systems (2003–2006), Senior Vice President, Automation, Pulp and Paper Automation Solutions (2002–2003), Vice President, Automation, Process & Energy (1998–2002) *Elsag Bailey Hartmann & Braun Oy*, Managing Director (1996–1998) **Memberships in other Boards of Directors and positions of trust** *Ilmarinen Mutual Pension Insurance Company,* Chairman of the Board of Directors (2020–), Member of the Board of Directors (2019–2020), Member of the Supervisory Board (2014–2019) *SSAB AB*, Member of the Board of Directors (2017–) *As. Oy Oriveden Rosamaria*, Member of the Board of Directors (2006–)
Aki Niemi Born 1969, Master of Science (Engineering) **Business Line President, Services since 2017**	*Valmet Oyj,* Area President, China (2013–2017), Customer Service Engineer (1994–1997) *Metso Corporation*, Area President of Operations of China, Pulp, Paper and Power (2013), Vice President of Operations of China, Pulp, Paper and Power (2011–2013), General Manager of Onsite operations, Paper and Board Machine business unit (2007–2011), Manager of Process Start-ups, Paper and Board business line (2003–2007), Senior Manager, Paper Technology (1997–2003)

	Memberships in other Boards of Directors and positions of trust Aki Niemi has also acted as a member of the Boards of Directors in several foreign subsidiaries of Valmet Oyj.
Sami Riekkola Born 1974, Master of Science (Engineering, Automation Technologies) **Business Line President, Automation since 2018**	*Valmet Oyj,* Vice President of Energy and Process Systems (2018), Vice President, Central and Southern EMEA, Automation (2015–2018) *Metso Corporation,* Vice President**,** Automation, Sales, Central Eastern Europe (2013–2015), Director, Automation, Machine Vision Product Group (2010–2013), Engineering Manager, Automation (2006–2010), Product Manager Profilers & Quality Management Systems, Automation (2004–2006), Project Engineer, Automation (1998–2003) *Metso Automation Australia Ltd.,* Senior Customer Service Engineer, Australia and New Zealand (2003–2004)
Bertel Karlstedt Born 1962, Master of Science (Thermodynamics) **Business Line President, Pulp and Energy since 2015**	*Nordkalk Corporation,* President and CEO (2006–2015) *Rettig Group Ltd,* Member of the Rettig Group Management Team (2010–2015) *Metso Paper Oy,* Executive Vice President (2005), President and CEO (2003–2005) *Valmet-Rauma Corporation and Metso Paper Oy,* President of Paper Making Lines (1999–2003) *Valmet Oyj,* Business Unit Executive for Pulp Drying Machines unit (1996–1999) *Valmet Paperikoneet Oy,* Product Manager, Air Dryers (1992–1996), Senior Research and Development Engineer (1991–1992), Research and Development Engineer (1988–1989) *Valmet-Enerdry Inc., US,* Sales and Applications Engineer (1990–1991) **Memberships in other Boards of Directors and positions of trust** *Moventas Oy,* Member of the Board of Directors, (2006–2007)
Jari Vähäpesola Born 1959, Master of Science (Engineering), Diploma in International Marketing Management **Business Line President, Paper since 2013**	*Metso Corporation,* President, Pulp, Paper and Power, Paper business line (2011–2013), Senior Vice President, Paper Machines and Finishing business units (2011), Senior Vice President, Paper Machines business unit (2008–2011), Senior Vice President, Service business unit (2007–2008), President, Service business line (2006–2007), Senior Vice President, Services (2004–2005), Senior Vice President, Sales and Marketing (2002–2004) *Metso Paper Limited, UK,* Managing Director (2000–2001) *Valmet Oyj,* various positions in Finland and USA (1987–1999) **Memberships in other Boards of Directors and positions of trust** *Wahis Oy,* Chairman of the Board of Directors (2020–) *Jyväskylä University of Applied Sciences Ltd,* Member of the Board of Directors (2016–)
Jukka Tiitinen Born 1965, Master of Science (Engineering) **Area President, North America since 2021**	*Valmet Oyj,* Area President, Asia Pacific (2017–2021), Services Business Line, President (2013–2017) *Metso Corporation,* President, Pulp, Paper and Power, Services business line (2011–2013) *Metso Paper, Inc. North America,* President (2004–2011) *Metso Paper Oy,* Service business line, President (2001–2004) *Metso Paper USA Inc./Valmet Inc.,* Vice President, Roll Services of North America business unit (2000–2001) *Metso Corporation and Valmet Oyj,* several management positions (1990–2000) **Memberships in other Boards of Directors and positions of trust** *Neles Corporation,* Member of the Board of Directors (2020–) *Miramarway Invest Oy,* Chairman of the Board of Directors (2015–)

Celso Tacla Born 1964, Chemical Engineer, Production Engineer, Master of Business Administration **Area President, South America since 2013**	*Metso Corporation,* South America Area President, Pulp, Paper and Power (2011–2013) *Metso Paper South America Ltda,* President (2008–2011) *Metso Paper Sulamericana Ltda,* President (2008), Director, Power business line (2007–2008) *Kvaerner do Brasil Ltda,* Director, Power business line (2004–2007) *Kvaerner Pulping Ltda,* Commercial Manager (2000–2004), Sales Manager (1994–2000) *Gotaverken Energy do Brasil Representacoes Ltda,* Sales Manager (1992–1994) *Cocelpa Cia de Celulose e Papel do Paraná,* various positions (1986–1992) **Memberships in other Boards of Directors and positions of trust** *Valpro Gerenciamento de Obras Ltda,* Member of the Board of Directors, (2013–) *Brazilian Association for the Machinery and Equipment Industry, PR Regional Office (ABIMAQ/SINDIMAQ-PR),* Member of the Board of Directors, (2010–) *Brazilian Technical Association of Pulp and Paper (ABTCP),* Member of the Board of Directors (2008–)
Vesa Simola Born 1967, Master of Science (Engineering) **Area President, EMEA since 2015**	*Stora Enso Oyj,* Senior Vice President, Consumer Board Division (2012–2015), Senior Vice President, Liquid and Food Service Board Business Unit (2008–2012), Vice President, Food Service Boards and Fresh Liquid Packaging Boards (2006–2008), Sales Manager/Director, Liquid Packaging Board (1999–2006), Production Manager, Tainionkoski Mill (1998–1999) *Enso Oy,* Production Manager, Heinola Fluting Mill (1995–1998) *Keräyskuitu Oy,* R&D Engineer (1993–1995) **Memberships in other Boards of Directors and positions of trust** *Stora Enso Ingerois Oy,* Chairman of the Board of Directors, (2012–2014) *Enocell Oy,* Chairman of the Board of Directors (2009–2011) Vesa Simola has also acted as the Chairman of the Boards of Directors in several foreign subsidiaries of Stora Enso Oyj.
Xiangdong Zhu Born 1967, Bachelor of Science (Engineering), Master of Business Administration **Area President, China since 2017**	*Valmet Oyj,* Vice President, Services, China (2013–2017) *Voith Paper (China) Co. Ltd,* Vice President, Capital Sales and Application (2012–2013), Vice President, Automation (2011–2012) *Metso Automation (Shanghai) Co. Ltd,* Country Manager (2007–2011), Sales Director (2004–2006), Sales Manager (1998–2003) *Stora Enso (Suzhou) Paper Co. Ltd,* Department Manager, Automation and Electrification (1992–1998) *Suzhou Signal and Communication Department of Shanghai Railway Bureau,* Engineer (1989–1992) **Memberships in other Boards of Directors and positions of trust** *Finnish Business Council Shanghai,* Member of the Board of Directors, (2018–)
Petri Paukkunen Born 1966, Bachelor of Science (Paper Engineering) **Area President, Asia Pacific since 2021**	*Valmet Oyj,* Vice President, Board and Paper Mills business unit (2018–2021), Vice President, Sales and Marketing, Board and Paper Mills business unit (2012–2018), Winding Specialist (1991–1998) *Metso Paper Oy,* Vice President, Finishing Rebuild (2009–2012), General Manager, Winder Business (2007–2008), General Manager, Roll finishing system sales (2004–2007), Manager, Winding Technology (1999–2004), Product Manager (1997–1999) **Memberships in other Boards of Directors and positions of trust** *Allimand Group,* Member of the Board of Directors (2012–) *Finnish Forest Products Engineers Association,* Member of the Board of Directors (2012–2019)

Julia Macharey Born 1977, Bachelor of Arts (Intercultural Communication), Master of Science (Economics) **Senior Vice President, Human Resources (since 2013) and Operational Development (since 2019)**	*Metso Corporation,* Senior Vice President of Human Resources, Pulp, Paper and Power (2012–2013) *Pöyry Plc,* Vice President of Human Resources, Industry Business Group (2007–2012) *Nokia Corporation,* Senior Manager of Business HR, Manufacturing Solutions (2006–2007), Senior Manager of Business HR, Sourcing and Procurement (2004–2006) *SCA Hygiene Products Ltd,* HR Manager (2002–2004) *SCA Hygiene Products GmbH,* HR Manager (2001–2002), HR Trainee (2000–2001)
Kari Saarinen Born 1961, Master of Science (Accounting and Finance) **Chief Financial Officer since 2015**	*Valmet Oyj*, Senior Vice President, Head of Strategy and Operational Development (2013–2015) *Metso Corporation*, Senior Vice President of Finance, Pulp, Paper and Power (2011–2013) *Nokia Siemens Networks*, CFO, Middle East and Africa Region (2009–2011), CFO, Greater China (2003–2009) *Nokia Networks Oy*, Director of Business Control (1997–2003) *Marimekko Corporation*, Multiple positions, including, General Manager and CFO (1989–1997) *Silmu Capital Oy*, CEO (2020–) **Memberships in other Boards of Directors and positions of trust** *Silmu Capital Oy,* Chairman of the Board of Directors (2020–)
Anu Salonsaari-Posti Born 1968, Master of Science (Economics), Master of Business Administration **Senior Vice President, Marketing, Communications, Sustainability and Corporate Relations since 2013**	*Metso Corporation*, Senior Vice President of Marketing and Communications, Pulp, Paper and Power (2013) *Metsä Group (Metsäliitto Cooperative)*, Vice President of Group Communications (2010–2013) *Fortum Power and Heat Oy*, Head of Communications and Sustainability, Heat Division (2009–2010), Vice President of Communications and Marketing (1999–2009) *Imatran Voima Oy*, Marketing and Communications Manager (1997–1998), Marketing Manager (1995–1997), Marketing Planner (1994–1995)

Information on the Members of the Board of Directors and the Executive Team

As at the date of this Merger Prospectus, none of the members of Valmet's Board of Directors or Executive Team has, in the previous five years:

- been convicted of a fraudulent offence or violation;
- held a managerial position, been in the executive management, been a member of the administrative or supervisory bodies of any company, or acted as a general partner in a limited partnership at the time of its bankruptcy, administration of an estate, or liquidation (excluding voluntary liquidation proceedings with a purpose of dissolving the company); or
- been subject to any official public incrimination and/or sanctions by any statutory or supervisory authorities (including any designated professional bodies) or been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company.

Conflicts of Interest

The provisions regarding the conflicts of interest of the management are set forth in the Finnish Companies Act. Pursuant to Section 4 of Chapter 6 of the Finnish Companies Act, the members of the Board of Directors or the CEO may not participate in the handling of a contract between them and Valmet. Pursuant to Section 4(a) of Chapter 6 of the Finnish Companies Act, a member of the Board of Directors of a publicly listed company may not participate, in the Board of Directors of the company or of its subsidiary, in the handling of a matter pertaining to a contract between the company and a third party, should the member in question be related to them and the action in question does not fall within the ordinary course of business of the company or is not concluded on normal commercial terms. A decision concerning such a matter is valid if it is supported by the required majority of those members of the Board of Directors of the publicly listed company or its Finnish subsidiary who are not considered related parties to the matter at hand. The CEO is subject to the above-mentioned provisions related to the incapacity of a member of the Board of Directors of a public listed company in the decision-making of its subsidiary. What is stated above regarding the agreement is also applicable to other legal acts and legal proceedings, and to the exercise of the right to speak. The Finnish Companies Act contains no provisions on the conflicts of interest of the members of the management team.

To the knowledge of Valmet, notwithstanding any shares they hold directly or indirectly in Valmet, the members of the Board of Directors, the CEO, and the members of the Executive Team do not have any conflicts of interest between their duties to Valmet and their private interests and/or their other duties. There are no family relationships between the members of Valmet's Board of Directors or the members of its Executive Team.

Based on an evaluation of independence, all the members of Valmet's Board of Directors are considered to be independent of Valmet. The members of the Board of Directors are independent of Valmet's major shareholders, with the exception of Aaro Cantell who is not independent of Valmet's major shareholders. Aaro Cantell is a member of the Board of Directors of Solidium, a holding company wholly owned by the State of Finland.

Auditors

Pursuant to Article 7 of Valmet's Articles of Association, Valmet has one auditor, which must be an approved auditing firm certified by the Finland Chamber of Commerce. The term of office of the auditor expires at the closing of the Annual General Meeting of shareholders following the election. Valmet has appointed PricewaterhouseCoopers Oy, Authorized Public Accountants, as its auditor. PricewaterhouseCoopers Oy has appointed Pasi Karppinen, Authorized Public Accountant, as the auditor with the principal responsibility for the conduct of the audit.

The consolidated financial statements as at and for the year ended December 31, 2020 have been audited by PricewaterhouseCoopers Oy, Authorized Public Accountants, and have been incorporated by reference into this Merger Prospectus. Authorized Public Accountant Pasi Karppinen acted as the auditor with principal responsibility in the financial year ended December 31, 2020. Pasi Karppinen is registered in the register of auditors referred in Section 9 of Chapter 6 of the Finnish Auditing Act (1141/2015, as amended) (the "**Finnish Auditing Act**").

Valmet's Annual General Meeting held on March 23, 2021 re-elected PricewaterhouseCoopers Oy as the auditor for a period for a term in accordance with the Articles of Association that will expire at the closing of the next Annual General Meeting. Authorized Public Accountant Pasi Karppinen is acting as the auditor with principal responsibility for the conduct of the audit.

Valmet's Shares and Share Capital

General Information

The registered name of Valmet is Valmet Oyj in Finnish, Valmet Abp in Swedish and Valmet Corporation in English. Valmet is domiciled in Helsinki, Finland, its registered address is Keilasatama 5, FI-02150 Espoo, Finland and the telephone number of Valmet is +358 10 672 0000. Valmet is a Finnish public limited liability company subject to the laws of Finland. The business identity code of Valmet is 2553019-8, its legal entity identifier (LEI) is 213800D9O7FUQDH83V62 and its accounting period is the calendar year. Valmet was registered with the Finnish Trade Register on December 31, 2013.

Pursuant to Article 2 of the Articles of Association, Valmet's field of business is, either directly or through its subsidiaries or affiliated companies, to engage globally in designing, developing, manufacturing, building and trading machines, instruments, equipment, production plants and spare parts in the field of technology industry, mainly pulp, paper and power industries, producing and selling services related to this field of business and other industrial or commercial activities related to this field of business. As the parent company, Valmet Oyj may also attend to the group's organization, financing, purchases and other similar joint tasks as well as own real estate, shares and interests, carry out securities trading and other investment operations.

Shares and Share Capital

As at the date of this Merger Prospectus, Valmet's registered share capital is EUR 100,000,000 and the number of shares issued is 149,864,619. The shares have no nominal value, are denominated in euro and all shares issued have been paid in full and issued in accordance with Finnish laws.

Valmet has one class of shares, the ISIN code of which is FI4000074984. Each share entitles to one vote at the General Meetings of Valmet and all shares provide equal rights to dividend and other distributable funds of Valmet, including the distribution of Valmet's assets in dissolution. There are no voting restrictions related to the shares and the shares are freely transferable.

Valmet's shares have been listed on the official list of Nasdaq Helsinki since January 2, 2014, and the trading code of the shares is VALMT. The shares were entered into the book-entry securities system of Euroclear Finland on December 31, 2013.

Valmet and its subsidiaries hold 391,358 shares in Valmet as at the date of this Merger Prospectus.

History of the Share Capital

The share capital or number of shares of Valmet have not changed during the period covered by the historical financial information.

Current Authorizations

Authorization to repurchase own shares

The Annual General Meeting held on March 23, 2021 authorized the Board of Directors to decide on the repurchase of Valmet's own shares. Based on the authorization, the Board of Directors may decide on the repurchase of Valmet's own shares in one or several tranches. The maximum number of shares to be repurchased shall be 5,000,000 shares, which corresponds to approximately 3.3 percent of all the shares in Valmet. Valmet's own shares may be repurchased otherwise than in proportion to the shareholdings of the shareholders (directed repurchase). Valmet's own shares may be repurchased using the unrestricted equity of Valmet at a price formed on a regulated market on the stock exchange main list maintained by Nasdaq Helsinki on the date of the repurchase. Valmet's own shares may be repurchased for reasons of developing Valmet's capital structure, financing or carrying out acquisitions, investments or other business transactions, or for the shares to be used in an incentive scheme, however so that a maximum of 500,000 shares may be repurchased to be used in an incentive scheme, which corresponds to approximately 0.3 percent of all the shares in Valmet. The Board of Directors decides on all other terms related to the repurchasing of Valmet's own shares. The authorization is in force until the close of the next Annual General Meeting.

Authorization to decide on the issuance of shares as well as on the issuance of special rights entitling to shares

The Annual General Meeting held on March 23, 2021 authorized the Board of Directors to decide on the issuance of shares as well as the issuance of special rights entitling to shares. Based on the authorization, the Board of Directors may decide on the issuance of shares as well as the issuance of special rights entitling to shares pursuant to Chapter 10(1) of the Finnish Companies Act in one or several tranches. The issuance of shares may be carried out by offering new shares or by transferring treasury shares held by Valmet. Based on this authorization, the Board of Directors may also decide on a directed share issue in deviation from the shareholders' pre-emptive rights and on the granting of special rights subject to the conditions mentioned in the Finnish Companies Act. Based on this authorization, a maximum number of 15,000,000 shares may be issued, which corresponds to approximately 10.0 percent of all the shares in Valmet. The new shares and treasury shares may be issued for consideration or without consideration. The Board of Directors may decide on all other terms of the issuance of shares and special rights entitling to shares pursuant to Chapter 10(1) of the Finnish Companies Act. The Board of Directors may use this authorization, for example, for reasons of developing Valmet's capital structure, in financing or carrying out acquisitions, investments or other business transactions, or for the shares to be used in incentive schemes, however so that the Board of Directors may issue a maximum of 500,000 shares to be used in incentive schemes, which corresponds to approximately 0.3 percent of all the shares in Valmet. The authorization is in force until the close of the next Annual General Meeting.

Share-based Incentive Schemes

In its meeting on December 17, 2020, the Board of Directors of Valmet decided on new share-based long-term incentive plans: Performance Share Plan and Deferred Share Plan, for Valmet's key employees.

The Performance Share Plan is directed to the Executive Team members. It includes a three-year performance period corresponding to the calendar years 2021-2023 parallel to a one-year performance period corresponding to the calendar year 2021. Valmet's Board of Directors decided on predefined performance measures and targets in the beginning of the performance periods. Shares received as a reward based on the achievement of the performance measures of the one-year performance period may not be sold, transferred, pledged or otherwise assigned during the two-year restriction period which would end in March 2024. The restriction period begins on the date of the transfer of the shares in March 2022.

The Deferred Share Plan is directed to other key employees and management talents. It includes a one-year performance period corresponding to the year 2021. The predefined performance measures and targets were decided by Valmet's Board of Directors and are the same as in Performance Share Plan for the one-year performance period. The Deferred Share Plan is directed to a maximum of 130 participants, of which approximately 80 are key employees in management positions, and approximately 50 are management talents.

The rewards to be paid for the performance periods 2021–2023 on the basis of the Performance Share Plan and the Deferred Share Plan will correspond to a maximum total of 460,000 shares. The Board of Directors of Valmet approved in December 2017 a share ownership recommendation for Valmet's Executive Team members. All members of the Executive Team are recommended to own and hold an amount of Valmet's shares equaling to their gross annual base salary (100 percent ownership recommendation). Valmet may repurchase its own shares by virtue of the authorization granted by the Annual General Meeting.

In addition, shares received as a reward from the long-term incentive plans LTI 2019 and LTI 2020 may not be sold, transferred, pledged or otherwise assigned during the restriction periods which will end on January 1, 2022 and January 1, 2023, respectively. All current Executive Team members have received shares as a reward from the LTI 2019 and LTI 2020 plans. The restriction period began on the date of the transfer of the shares in March 2020 and March 2021.

Dividends and Dividend Policy

The Board of Directors has confirmed a dividend policy for Valmet. According to the dividend policy, updated in June 2017, Valmet aims to distribute at least 50 percent of the annual net profit in dividends.

The Annual General Meeting held on March 23, 2021 resolved to distribute a dividend of EUR 0.90 per share based on the balance sheet adopted for the financial year which ended December 31, 2020.

Under the Finnish Companies Act, the General Meeting decides on the distribution of dividends based on a proposal by the company's Board of Directors. Dividends are generally declared once every financial year and may be paid only after the General Meeting of Shareholders has approved the company's financial statements. For a description of the restrictions applicable to dividend distributions, see "*Shareholder Rights – Dividends and Distribution of Unrestricted Equity".*

Valmet's Ownership Structure

Shareholders owning 5 percent or more of the shares or proportion of voting rights in Valmet have an interest in the company's share capital which is notifiable pursuant to the Finnish Securities Markets Act. The following table sets forth the shareholders owning 5 percent or more of the shares or proportion of voting rights in Valmet, based on information available to Valmet as at August 30, 2021:

Shareholder	**Number of shares**	**Percent of shares and votes**
Solidium Oy[1]	16,695,287	11.14
Other shareholders including nominee-registered shareholders	133,169,332	88.86
Total shares in Valmet	**149,864,619**	**100**

[1] Solidium is a holding company wholly owned by the State of Finland.

To the extent known to Valmet, Valmet is not, directly or indirectly, owned or controlled by any one person. Valmet is not aware of any arrangements that may lead to a change of control in Valmet.

Valmet's Related Party Transactions

Valmet's related parties include the subsidiaries, associated companies and joint ventures of Valmet. Related parties also include the Board of Directors, the President and CEO and other members of the Executive Team, their close family members as well as entities controlled directly or indirectly by them.

During the year ended December 31, 2020, Valmet did not have material related party transactions or such transactions deviating from Valmet's ordinary course of business or that were not made on customary commercial terms taking into account the market practices generally observed and accepted by the industry in which Valmet operates.

Valmet's subsidiaries have been presented in "– *Business of Valmet – Organization and Personnel*" above. The members of the Board of Directors, the President and CEO, and other members of the Executive Team have been presented in "– *Business of Valmet – Valmet's Board of Directors, Management and Auditors*" above.

There have not been any significant changes in Valmet's related party transactions between the year ended December 31, 2020 and the date of this Merger Prospectus.

The following table presents the remuneration paid to the Board of Directors, the President and CEO and other members of the Executive Team for the year ended December 31, 2020.

In EUR thousand	For the year ended December 31, 2020 (audited)
President and CEO	
Salaries and other short-term benefits	-680
Performance bonuses	-540
Share-based payments	-455
Post-retirement benefits	-315
Total	**-1,991**
Other Executive Team members	
Salaries and other short-term benefits	-3,082
Performance bonuses	-953
Share-based payments	-1,600
Post-retirement benefits	-1,210
Total	**-6,845**
Members of the Board of Directors	-661

Valmet has no loan receivables from the Executive Team or the members of the Board of Directors. No pledges or other commitments have been given on behalf of management or shareholders.

There has been no material changes in the remuneration of the Board of Directors, the President and CEO and other members of the Executive Team between December 31, 2020 and the date of this Merger Prospectus.

INFORMATION ON NELES

Business of Neles

Overview of the Business

Neles delivers mission-critical flow control innovations, technologies, and services for the continuously evolving needs of global process industries, helping customers to improve their process performance and to ensure the safe flow of materials. Neles' leading brands include Neles, Jamesbury and Easyflow by Neles.

Neles' businesses have been organized in three business lines: Valve Equipment, Valve Controls and Actuators as well as Services. The Neles Group is presented as one reporting segment in the financial statements. Neles has four market areas that are responsible for sales and services. The global operations function is responsible for managing the supply chain and manufacturing for all business lines.

For the financial year ended December 31, 2020, Neles' sales amounted to EUR 576 million, operating profit amounted to EUR 70 million, *i.e.* 12.2 percent of sales and the adjusted EBITA margin was 14.8 percent of sales. Divided by customer industries, 29 percent of sales came from the pulp, paper and bioproducts industries, 24 percent from the oil industry, 21 percent from the chemicals industry (including the petrochemicals industry), 10 percent from the gas industry and 16 percent from other industries.

As a global company, Neles serves customers in 115 countries around the world.

Neles has approximately 40 service locations and more than 300 channel partners, with 25 new partners being added in 2020, and more than 400 service professionals. At the end of June 2021, Neles had 2,878 employees in 37 countries, representing over 50 nationalities.

Geographically, Europe, Middle East, India, and Africa ("**EMEIA**") accounted for 39 percent of sales, North America for 29 percent of sales, Asia-Pacific ("**APAC**") for 22 percent of sales and South America 10 percent of sales for the financial year ended December 31, 2020.

Strategy

Neles' vision is to be a leading valve and valve automation company, reinventing the reliability in flow control. Neles' competitiveness is based on the high quality of its products and services, its proven technologies and global team of experts. In 2020, Neles defined the new strategy for sustainable and profitable growth. Neles' ambition is to grow faster than the market by expanding its offering and diversifying the valves, valve automation and services businesses to new customer segments.

Neles aims to achieve its profitable, faster than market growth by:

- Growing the business through industry diversification and broadening the product offering
- Accelerating growth in valve controls and actuators business
- Continuing development and expansion of the multi-channel service, replacement and MRO business supported by digitalization.

Neles will continue to develop its organization and operations to ensure successful execution of its strategy. The key strategic initiatives include:

- Targeting best-in-class project delivery performance
- Further leveraging recent investments in China and India
- Continuously improving the performance, sustainability, and cost-effectiveness of its offering.

Neles' product and service portfolio is built on innovations, some of which have been industry benchmarks for decades. Neles has a field-proven track record in developing long-lasting and reliable valve technologies. Today, valves are required to withstand more stringent process conditions, such as high process pressures or extreme temperatures. Not only are the technical requirements more demanding, but there is also pressure to bring more economical solutions to market. Neles is constantly developing its portfolio of high-engineered valves, valve controls and standard solutions to meet the diverse needs of customers, building on continuous and systematic product renewal and expanding offering. Neles is also exploring new manufacturing methods and materials technologies and further leveraging simulation and design automation capabilities. In 2020, the focus of Neles' research and development activities was on the renewal and expansion of certain product platforms.

Financial Targets

The mid-term financial targets derived from the strategy for Neles Group are:

- Orders received of more than EUR 1 billion around 2025
- Annual organic growth ambition of at least 5%
- EBITA margin of at least 15%, while investing in growth
- Maintaining a strong balance sheet (net debt/EBITDA less than 2.5), while investing in growth
- Dividend payout of approx. 40% of net earnings (excluding PPA amortization related to acquisitions)

Neles' strategic targets are mid-term ambitions and should not be viewed as guidance for the near-term performance of Neles as the current ongoing COVID-19 pandemic continues to create uncertainty and risks of abrupt changes in all markets important to Neles and will adversely impact the Neles' business in the short-term.

History

Neles' history of innovation starts in 1956. Over the years, Neles has expanded from having a pulp and paper market focus to being a leading global player in several process industries, including oil and gas refining, petrochemicals and industrial gases. Since the 1990s, Neles has been a frontrunner in valve automation and digital solutions for flow control applications in process industries. Recent industry-leading developments in this area include the next-generation digital positioner family Neles NDX valve controller.

Over the years Neles has earned its reputation as a trusted partner bringing reliability to customer processes and supporting them throughout the plant life cycle. Together with its service partners, Neles has built an extensive global network of service centers close to customers and invested in developing data-driven solutions to support customers' ongoing process monitoring and valve maintenance, and in managing their valve installed base with a rich set of information.

Neles has mainly grown through systematic organic development. The acquisition of Jamesbury in 1988 was a transformative step in becoming a global leader in flow control. Acquisitions since then have been smaller in scale and have complemented Neles' offering, widened market reach to new customer segments and geographies, and strengthened Neles' global operations and supply chain capabilities. Today, in terms of net sales, Neles is a leading provider of mission-critical flow control solutions and services for all process industries, and has expanded sales and services reach to cover all the main global markets. Neles' operations and supply chain footprint stretches from Europe to the US, China, India, Middle East and Latin America.

In 2020, as a result of its formation as an independent company through a partial demerger, Neles assumed a new corporate brand and identity. Neles is committed to providing market-leading expertise, products and services to create the most value to customers. At the very core of Neles' existence is the company's vision to become a leading diversified valve and valve automation company reinventing reliability in flow control.

Business Lines

Neles' businesses have been organized in three business lines: Valve Equipment, Valve Controls and Actuator and Services.

Valve Equipment

The Valve Equipment business line is responsible for the development of Neles' valve product lines: ball, butterfly, and control valves. In addition, the Valve Equipment organization is responsible for industry management, Maintenance, Repair, and Operational business management, as well as the end-to-end development of the project business within Neles.

Neles' valve offering includes ball, butterfly, globe, segment and eccentric rotary plug valves. Neles' control, on-off and ESD valves, accessories, intelligent devices and software products are engineered to provide innovative, fundamentally simple construction, operation and maintenance features to optimize process performance at the lowest cost. Neles approaches each process and application as a specific challenge.

In the second quarter of 2021, Neles launched first products based on a new butterfly valve platform. Neles' versatile butterfly valve platform delivers new functionality while leaning on field-proven technologies and decades of experience to meet the challenges of modern industrial processes. The modular design enables reduced size, weight, and complexity delivering sustainable, yet profitable performance and minimized emissions. The valves are designed to deliver long-lasting consistent performance with longer maintenance intervals and fewer shutdowns over the extended valve lifecycle. The new platform enables an immense number of configurations for Neles' field-proven product families: Neles Neldisc metal seat and Jamesbury Wafer-Sphere soft seat.

Valve Controls and Actuators

In addition to valves, Neles offers a wide range of actuators, limit switches, and valve controllers. These products are designed to maximize valve cycle life, improve their performance, reduce cycle life costs and enable effective data gathering and diagnosis. Valve Controls and Actuators business line is responsible for the development and expansion of the current valve automation solutions portfolio. While valve controls and actuators can be sold packaged together with valves, the Valve Controls and Actuators business line is also responsible for developing the channel for stand-alone control and actuator sales.

Valve controls and actuators play a key role in ensuring process performance and safety, regardless of the valve in use. Often offered as a comprehensive solution with valves, they form the core of a valve automation. Accurate control and automation solutions help to ensure production quality and minimize the amount of production losses. They also enable optimizing the material flows as well as use of chemicals and energy. In terms of net sales, Neles is a major player in valve controls and actuators.

One of the latest innovations in valve automation is the Neles NDX valve controller. Neles NDX is a technology platform for smart digital controllers having independent computing power for accurate and fast control and diagnostics with Industry 4.0 communication capabilities. Neles NDX valve controller has been designed with a strong focus on the user experience and it is compatible with all valve brands in a wide range of applications, regardless of customer or industry.

Services

The Services business line helps Neles customers' process plants and their production lines run as reliably and as efficiently as possible. Correct, timely maintenance actions not only enable the best plant performance, but also helps manage and mitigate risks.

Neles' valve services include spare parts, valve maintenance and repairs, plant maintenance and lifecycle services, and PID tuning as well as process control services. Neles' service portfolio covers the entire plant lifecycle from the start-up of new plants to modernization and upgrade of existing ones. Neles tailors its field service, shutdown and turnaround portfolio to fit customers' needs and goals for safety, availability and profit.

Over the years, Neles has developed a global network of service professionals and facilities as well a data-driven solutions to support our customers' ongoing process monitoring and valve maintenance, and to manage their valve installed base. These solutions are used to offer value-adding insights and services to customers. Neles also develops new methods to interact and transfer data with its sales partners and customers. Additionally, Neles' performance solutions enable process plants to monitor process loops and prioritize improvement and maintenance actions.

Investments

In the first half of financial year 2021, Neles' capital expenditures amounted EUR 4 million, and consisted of R&D projects, ERP harmonization, and investments in manufacturing capacity. In financial year 2020, Neles' gross capital expenditure for continuing operations was EUR 13 million, out of which EUR 5 million were associated with the new manufacturing site in Jiaxing, China.

Neles is developing its production operations and will commission a new production and supply unit at its valve factory located in Vantaa, Finland. The project enables Neles to improve the availability and delivery times of its valve solutions and further develop the environmental performance of the Vantaa technology center. The new unit is scheduled to start operations in early 2022. Neles Finland Oy has committed to enter into a 10-year lease agreement in connection with the technology center in Finland, after finalizing the construction phase of the premises in early 2022. The estimated lease liabilities amount to EUR 4 million and will be included in lease liabilities at the beginning of the lease term.

On July 27, 2021, Neles announced an asset purchase agreement to acquire the valve and pump businesses of Flowrox, a Finland-based technology company. Flowrox has a recognized good-quality offering of pinch and slurry knife gate valves used in the mining industry and a strong sales network for the mining industry, which complements Neles' offering and exposure to the mining and metals industry. The acquisition will enable Neles to better leverage growth opportunities in minerals processing applications. In 2020, Flowrox's valve and pump businesses had sales of about EUR 30 million. The businesses' sales in fiscal year 2021 are expected to remain at the level of 2020. The profitability of the carved-out businesses is comparable to Neles' in terms of adjusted EBITA margin. The acquired net assets consist of intangible and tangible assets as well as inventories related to the acquired businesses. The transaction also includes the Flowrox brand. The acquired businesses employ approximately 110 people and have manufacturing in Finland, Australia, South Africa, and the United States, as well as well-established sales channels in over 80 countries. Flowrox has benefitted from good historical growth, and in addition to the increased sales and operational cost savings, the potential synergies include Flowrox' value-adding mindset focusing on higher end products and R&D, which is a good fit with Neles culture. The purchase price of EUR 40.9 million will be payable in cash at closing, which is estimated to take place in November 2021.

Additionally, possible earn-out consideration of up to EUR 3 million will be payable in cash after one-year period from the closing.

In addition, Neles continues development investments in its newest technology center in Jiaxing, China, opened in 2020 and is investing in R&D projects as well as the renewal of core IT systems such as the ERP, CPQ, and related systems.

The above-mentioned capital expenditure is funded mainly from cash flow provided by operating activities.

Properties and Leased Properties

Neles has seven technology centers and operates in 37 countries. The technology centers are located in Fergus Falls, Minnesota; Shrewsbury, Massachusetts; Sorocaba, Brazil; Vantaa, Finland; Horgau, Germany; Damman, Saudi Arabia; Vadodara, India; Mumbai region, India; Chungju, South Korea; Shanghai, China; and Jiaxing, China.

Neles' newest technology center in Jiaxing, China, started its operations in July 2020. Neles also ramped up a new plant in Dammam, Saudi Arabia, through a joint venture with Industrial Systems Group. The new plant provides support to clients across the Middle East.

Intellectual Property

Neles aims to protect its brands and innovations and create value through intellectual property rights, including patents, utility models, designs, trademarks, copyrights, and domain names. The most of intellectual property rights relating to Neles are owned by Neles Finland Inc., and Neles USA Inc. Neles aims to and focuses on protecting its intellectual property particularly in markets and geographical areas relevant to its sales and business operations, such as Europe, the United States, and China.

As at the date of this Merger Prospectus, Neles has over 40 brands. The most important registered trademarks include Neles, Jamesbury, and StoneL.

As at the date of this Merger Prospectus, Neles has a total of 42 patent families. The most extensive patent portfolio relates to Neles NDX intelligent valve controller, which includes six patent families and three design patent families. There is a patent pending and a design patent registered for recently announced new butterfly valve platform (Neldisc Model D). In the field of emerging technologies, Neles has three patent families relating to Additive Manufactured articles.

Sustainability

Neles' sustainability agenda with its action plans and targets are aligned with the United Nation's Sustainable Development Goals (SDGs). The eight most relevant SDGs contributing to Neles' sustainable productivity are quality education, gender equality, clean water and sanitation, affordable clean energy, decent work & economic growth, reduced inequalities, responsible consumption and production, and climate action. Neles' Code of Conduct provides it with a framework that guides its behavior and summarizes topics crucial to Neles' business under a single document, therefore covering a broad range of areas such as integrity, anti-corruption, safety, information disclosure, the environment and human rights. Neles has been a committed Participant of the United Nations Global Compact and its ten principles on human rights, labor, environment and anti-corruption since 2020. The principles are included in the company's strategy, policies and procedures, and Neles is committed to reporting its progress and efforts to implement the Ten Principles in accordance with the United Nations Global Compact Communication on Progress (COP) policy.

Neles' goal within the sustainability sphere is to be a reliable partner offering sustainable solutions, and protecting people, process performance and the planet by prioritizing safety and sustainability in all undertakings. Neles has set both long- and short-term sustainability targets to respond to global megatrends driving more focus on sustainable business operations impacting both customers and Neles, as well as Neles' partners. Neles' sustainability agenda is being integrated into its HSEQ management system, thus ensuring the consistency and efficiency of the implementation of all sustainability targets.

In 2020, Neles set climate targets for the most significant sources of emissions. Neles has committed to a 25 percent reduction in carbon emissions in production by 2030 compared to the 2019 base line. Neles enforces sustainability not only in its own production, but 20 percent of its suppliers in terms of spend are also required to set emission targets by 2025. By streamlining transportation routes and optimizing warehouse locations, Neles aims for a 20 percent reduction in transportation emissions by 2025. Additionally, Neles aims to make an impact in the reduction of greenhouse gas emissions in the most energy-intensive customer processes using its products. This is further reinforced by the sustainability targets in all Neles R&D projects. As supportive actions, Neles will also continue to find new ways to decrease emissions in its offices, *e.g.*, by purchasing CO_2 free energy. Neles has also set sustainability targets for all of its R&D projects to help its customers to meet environmental requirements; among the sustainability targets are, *e.g.*, using sustainable materials and reducing process waste.

Neles efforts in health and safety aim to ensure a safe working environment for all Neles' employees, and strives to make safety a part of its everyday work life by risk observations, safety conversations, and safety training. Product safety is always one of the main drivers in all Neles' R&D projects. Neles' mid-term target in health and safety is to reduce the Lost Time Injury Frequency Rate ("**LTIF**"**)** to less than one by the end of 2021. In the long-term, Neles aims at zero work-related accidents, to further improving the use of sustainable materials, and performing regular HSE audits and corrective actions. Neles' society and people sustainability area covers sustainability engagement, responsible procurement and third-party sustainability, as well as responsible business conduct. The long-term targets in the area are having 90 percent of suppliers in terms of spend sign Neles' Code of Conduct by 2022 and 95 percent of sustainability assessments in higher risk areas by 2022. Furthermore, Neles has set a target of having all employees complete its code of conduct training once every two years.

Organization and Personnel

Group legal structure

At the date of this Merger Prospectus, Neles Corporation is the parent company of the Neles Group.

As at June 30, 2021, Neles had a total of 38 subsidiaries. The following table presents the subsidiaries as well as associated companies and joint ventures of Neles along with respective ownership shares of Neles on June 30, 2021.

Subsidiaries of Neles	**Consolidated shareholding and voting right (percent)**	**Country of incorporation**
Group companies		
Neles Australia Flow Control Pty Ltd	100	Australia
Neles Austria GmbH	100	Austria
Neles do Brazil Indústria e Comércio Ltda	100	Brazil
Neles Canada Ltd	100	Canada
Neles Chile SpA	100	Chile
Neles (China) Investment Co. Ltd	100	China
Neles Flow Control (Shanghai) Co. Ltd	100	China
Neles Flow Control (Jiaxing) Co. Ltd	100	China
Neles Czech Republic s.r.o.	100	Czech Republic
Neles Finland Oy	100	Finland
Neles France SAS	100	France
Neles Germany GmbH	100	Germany
Neles India Private Limited	100	India
Neles Italy SpA	100	Italy
Neles Japan Co. Ltd	100	Japan
Neles Flow Control Malaysia Sdn. Bhd.	100	Malaysia
Neles Mexico SA de CV	100	Mexico
Neles Netherlands B.V.	100	Netherlands
Neles Perú S.A.C	100	Peru
Neles Poland Sp zoo	100	Poland
Neles Portugal, Unipessoal LDA	100	Portugal
Neles Automation WLL[1]	49	Qatar
Neles Flow Control Romania S.R.L.	100	Romania
OOO Neles	100	Russia
Neles Plant Saudi Arabia LLC	70	Saudi Arabia
Neles Asia Pacific Pte	100	Singapore
Neles South Africa Pty Ltd	100	South Africa
Neles Korea Co. Ltd	100	South Korea
Neles Flow Control Spain, SL	100	Spain
Neles Sweden AB	100	Sweden
Neles Taiwan Co Ltd	100	Taiwan
Neles (Thailand) Co. Ltd	100	Thailand
Neles Turkey Dis Ticaret A.S.	100	Turkey
Neles FZE	100	United Arab Emirates
Neles Flow Control LLC[1)]	49	United Arab Emirates
Neles UK Ltd	100	United Kingdom
Neles USA Inc.	100	United States
Neles-Jamesbury Inc.	100	United States

[1)] Has been 100% consolidated

Employees

As at June 30, 2021, Neles had 2,878 employees. Neles has employees in 37 countries, representing 50 nationalities, with the average career at Neles being about 9 years.

Material Agreements

Except as set forth below, Neles has not entered into (i) material agreements outside of its ordinary course of business during the two financial years immediately preceding the date of this Merger Prospectus or (ii) other agreements outside its ordinary course of business based on which a company belonging to the Neles Group would have material obligations or rights as at the date of this Merger Prospectus that are material from the Neles Group's perspective.

Asset Purchase Agreement

On July 27, 2021, Neles announced the signing of an asset purchase agreement to acquire the valve and pump businesses of the Finland-based technology company Flowrox. For more information, see "*– Investments*" above.

Combination Agreement

Valmet and Neles announced on July 2, 2021 that they had entered into the Combination Agreement and signed the Merger Plan according to which Neles shall be merged into Valmet through a statutory absorption merger in accordance with the Finnish Companies Act. See "*Merger of Valmet and Neles – Combination Agreement*" and "*Merger of Valmet and Neles – Merger Plan*".

Financing arrangements

Neles signed on July 2, 2021 the EUR 301 Million Facility (as defined in "*Risk Factors – Risks Related to the Merger – Successful completion of the Merger is dependent on the New Facilities Agreements*"), which is a bridge-to-bond facility the purpose of which is to finance the Extra Distribution to Neles Shareholders prior to the completion of the Merger. The facility term, if executed, is 12 months with two 6-month extension options. On July 9, 2021 Neles signed a EUR 150 million bilateral term loan the purpose of which is to refinance existing EUR 150 million term loan maturing in July 2022. The tenor of the new loan is seven years.

In order to support and finance the completion of the Merger, Valmet and Neles have entered into re- and back-up financing agreements with Danske Bank and Nordea. The Merger financing arrangements comprise EUR 695 Million Facilities in addition to the EUR 301 Million Facility, which Danske Bank and Nordea as joint underwriters, coordinating bookrunners and mandated lead arrangers have arranged and underwritten in full. For more information, see "*Information on the Combined Company – Financing*".

Revolving Credit Facility and Commercial Paper Program

Neles' available additional funding consists of an undrawn, committed syndicated revolving credit facility of EUR 200 million and an EUR 200 million Finnish commercial paper program.

Insurance

Neles Group's insurance coverage covers risks associated with the Neles Group's business, including property damage and business interruption, public and product liability, transportation of goods, crime, directors' and officers' liability insurances as well as death and disability insurance for employees. Neles believes that Neles Group carries insurance covering risks of the type that are customarily covered in the industry in which the Neles Group operates and at levels that are generally adequate.

Legal Proceedings

There are a few legal proceedings, legal claims and disputes based on various grounds against Neles in various countries. The legal proceedings, legal claims and disputes relate, among others, to Neles' products, projects, other operations and customer receivables. Neles' management assesses to the best of its understanding that the outcome of such legal proceedings, claims and disputes would not have a material adverse effect on Neles financial result in view of the grounds presented to them, provisions made, insurance coverage in force and the extent of Neles' total business activities. Except for the proceedings described below, there are no governmental, legal or arbitration proceedings (including any proceedings, which are pending or threatened, of which Neles is aware) which may have, or have had in the past 12 months, a significant effect on the financial position or profitability of Neles and/or the Neles Group. It should be noted however that an outcome of the pending legal proceedings, legal claims and disputes are beyond the direct influence of Neles' management and may materially deviate from the management's current assessment.

Since 1998, there has been a number of asbestos litigation cases filed in the United States in relation to asbestos related health problems in which a Neles entity is one of the named defendants. On December 31, 2020, the number of pending litigation cases filed was 138 (142 on December 31, 2019). Neles management's understanding is that the risk caused by the pending asbestos litigation cases in the United States is not material in the context of Neles' total business activities. Asbestos litigation risk is accounted for as contingent liability.

Outlook and Trend Information

This section "Outlook and Trend Information" contains forward-looking statements. These statements are not guarantees of Neles' future financial performance. Neles' actual result or financial position may differ in a material way from the result or financial position contained in or implied by the forward-looking statements due to several different factors, which are described, among others, in section "Risk Factors". For more information, see *"Certain Matters – Forward-looking statements". This section "Outlook and Trend Information" concerns Neles as a separate company and should not be interpreted or construed to concern the Combined Company after the Effective Date. Undue reliance should not be placed on these forward-looking statements.*

Short-term market outlook

The overall market activity started to improve during the first quarter of 2021. In the second quarter the overall positive development continued, but there were differences between markets.

The Pulp, Paper and Bioproducts project business remained active and at a good level throughout the first half of 2021, and market activity is expected to continue at a good level. Neles won new projects, as well as additional orders for ongoing projects.

Market activity in Chemicals and Oil & Gas projects was weak in the first half of 2021. The market activity is expected to return to a satisfactory level in the second half of 2021. Postponements of projects and global uncertainties continue to reduce visibility in the Chemicals and Oil & Gas project businesses. Orders received were clearly below the very strong comparison period in 2020.

The Services and MRO-driven businesses environment improved from the weak level of the second half of 2020 to a satisfactory level during the first half of 2021. Orders received in Services during the first half of 2021 already corresponded to the 2019 level. Orders received in the MRO-driven business improved sequentially during the first quarter and continued on the same level during the second quarter. Orders received in the MRO-driven business still remain below pre-COVID-19 levels.

The improvement of market sentiment in the North American market area continued in the second quarter of 2021, and orders received grew by 23.7 percent in the first half of 2021 compared to the comparison period. The Services and MRO-driven businesses have clearly improved compared to the first half of 2020 in the EMEIA and APAC market areas. Project business was suppressed in the EMEIA and in APAC regions in the first half of 2021, in particular in the Chemicals and Oil & Gas project businesses. In the comparison period, project orders received in the APAC area were particularly strong. South America Market Area orders received in the first half of 2021 were clearly below the comparison period, during which large Pulp, Paper and Bioproducts project orders were received. Despite the challenging COVID-19 situation, the overall market activity was at a solid level in South America.

Impact of the COVID-19 pandemic

The ongoing COVID-19 pandemic continues to create uncertainty and risks of abrupt changes in all markets important to Neles.

In the first quarter of 2021, Neles' Brazilian supply center was temporarily closed due to COVID-19 cases, which caused delays in deliveries and a reduction in sales in the first quarter. The supply center reopened more quickly than initially expected due to attentive management of the situation. Currently, the facility is operating. Neles had similar challenges in its Indian factories at the beginning of the second quarter, leading to temporary closures. Currently the situation is being carefully managed by local management and the factories are back in operation, prioritizing the health and safety of the employees and partners.

The global logistics situation continues to be challenging. The availability of transportation and difficulties in arranging logistics by Neles or its customers has caused delays in deliveries. In addition, Neles has experienced shortages of electronic components causing delays in deliveries. Neles expects to catch up with these delays during the second half of 2021, but risks related to the logistics situation continue.

In 2020, the Services and other MRO-driven businesses were negatively impacted by pandemic-related mobility restrictions and its customers' tight cash management. Especially large maintenance shutdowns were postponed. The global situation in the Services and MRO-driven businesses has been clearly improving in the first half of 2021, but uncertainties and risks in certain regions are expected to continue into the second half of 2021, while the overall business activity in these segments is expected to continue to improve. The deferred sales due to the facilities' closure is expected to be recognized during 2021. Neles has operations in several regions where the COVID-19 pandemic continues to cause disruptions. There continue to be risks of similar temporary closures of local Neles operations as those experienced in Brazil and India.

Since the second quarter of 2020, Neles has taken proactive measures to ensure the safety of employees, control costs and preserve cash flow to protect the company's financial position. The measures have included a variety of enforced safety procedures at manufacturing sites, remote working, travel restrictions, cuts to external spending across the organization, as well as cost-saving and optimization activities.

Increased attention has also been paid to managing net working capital. There have been no material credit losses or order cancellations.

Overview of Disclosed Information over the Last 12 Months Relevant as at the Date of This Merger Prospectus

In addition to notifications of transactions by persons discharging managerial responsibilities at Neles or their related parties, Neles has disclosed the following information under the Market Abuse Regulation (EU) No 596/2014 over the last 12 months preceding the date of this Merger Prospectus, which, to Neles' knowledge, are still relevant as at the date of this Merger Prospectus.

Disclosures relating to the Merger

On July 2, 2021, Valmet and Neles announced that they have entered into the Combination Agreement to combine the two companies through a statutory absorption merger, whereby Neles will be merged into Valmet and dissolved. See "*Merger of Valmet and Neles – Overview of the Merger*".

Disclosures relating to acquisitions

On July 27, 2021, Neles announced an asset purchase agreement to acquire the valve and pump businesses of the Finland-based technology company Flowrox. See "*– Material Agreements – Asset Purchase Agreement*" above.

Neles' Board of Directors, Management and Auditors

General

Pursuant to the provisions of the Finnish Companies Act and the Articles of Association of Neles, the management and governance of Neles are divided between the shareholders, the Board of Directors and the President and CEO of Neles. The President and CEO of Neles, assisted by the Executive Team, oversees the day-to-day operative management of Neles and its businesses.

The shareholders of Neles exercise their decision-making power at the General Meeting of Shareholders. The matters to be dealt with in the General Meeting of Shareholders are defined in the Finnish Companies Act and Neles' Articles of Association. The shareholders participate in the administration and management of Neles through resolutions passed at the General Meetings of Shareholders. The General Meeting of Shareholders of Neles is convened to be held annually within six months from the end of the previous financial year upon notice given by the Board of Directors. In addition, a General Meeting of Shareholders of Neles is held when requested in writing by the auditor of Neles or by shareholders representing at least one-tenth of all the shares in Neles in order to discuss a certain matter.

Corporate Governance

Neles complies with the Corporate Governance principles defined by the Board of Directors. These principles are based on the Finnish Companies Act and the Finnish Securities Markets Act. Neles' decision-making and governance complies with other Finnish legislation and regulations, the Market Abuse Regulation, Neles' Articles of Association, the Guidelines for insiders of Listed Companies published by Nasdaq Helsinki as well as the Helsinki Takeover Code published by the Securities Market Association.

In addition, Neles complies without deviation with the Finnish Corporate Governance Code 2020 adopted by the Securities Market Association and it is publicly available on the website of the Finnish Securities Market Association at www.cgfinland.fi.

Neles' supreme decision-making body is the Annual General Meeting of Shareholders. The Board of Directors and the President and CEO are responsible for the management of Neles. Other Neles executives have an assisting and supporting role. The Board seeks to ensure the compliance of good corporate governance principles within Neles.

Shareholders' Nomination Board

Neles' Shareholders' Nomination Board (the "**Neles Nomination Board**") is a shareholders' body that was established by the company's Annual General Meeting in 2011.

The Neles Nomination Board is responsible for ensuring that the Board of Directors comprises of members with a sufficient level of knowledge and experience for the needs of the company. For this purpose, the Neles Nomination Board prepares to the Annual General Meeting proposals on the election and remuneration of the members of the Board of Directors. The Neles Nomination Board forwards its proposals for the Annual General Meeting by January 31 each year.

In its work, the Neles Nomination Board must comply with all statutory and self-regulatory requirements, including the Finnish Corporate Governance Code and the stock exchange rules applicable to the company. The Neles Nomination Board consists of five members nominated annually. Four members are appointed by the company's four largest shareholders, who appoint one member each. The Chair of the Neles Board serves as the fifth member.

The four largest shareholders entitled to appoint members to the Neles Nomination Board are determined on the basis of the registered holdings as of September 1 each year.

The current members of the Neles Nomination Board are: Pasi Laine (President and CEO, Valmet Oyj) Philip Ahlgren (Vice President, Cevian Capital AB), Mikko Mursula (Chief Investment Officer, Ilmarinen Mutual Pension Insurance Company), and Jaakko Eskola (Chair of Neles' Board of Directors). Mikko Mursula chairs the Neles Nomination Board.

The duties of the Neles Nomination Board are set out in more detail in the Neles' Nomination Board Charter.

Board of Directors

The following table presents the members of Neles' Board of Directors as at the date of this Merger Prospectus:

Name	Year of birth	Position	Nationality	Appointed to the Board of Directors
Eskola Jaakko	1958	Chair	Finnish	2021
Hämäläinen Anu	1965	Vice Chair	Finnish	2020
Pakalén Niko	1986	Member	Finnish, Swedish	2020
Sarajärvi Teija	1969	Member	Finnish	2020
Tiitinen Jukka	1965	Member	Finnish, U.S.	2020
Vernon Mark	1953	Member	U.S.	2020

Name:	Background:
Jaakko Eskola Born 1958, MSc in Engineering **Chair of the Board of Directors since 2021** **Chair of the Remuneration Committee since 2021**	*Wärtsilä Corporation*, President & CEO (2015–2021), Senior Executive Vice President and Deputy to the CEO (2013–2015), Various management roles (2005–2015) *Wärtsilä Development & Financial Services Oy,* President (1998–2005) *PCA Corporate Finance,* Executive Director (1997–1998) *Kansallis-Osake-Pankki,* Various management roles (1986–1997) *VTT Technical Research Centre of Finland,* Researcher (1983–1984) **Memberships in other Boards of Directors and positions of trust** *Varma Mutual Pension Insurance Company,* Deputy Chairman of the Board (2021–) *Suominen Oy,* Chairman of the Board of Directors (2021–) *Enersense Oy,* Chairman of the Board of Directors (2021–) *Noctucon Oy,* Chairman of the Board of Directors (2021–) *Cargotec Oy,* Member of the Board of Directors (2021–) *Virala Acquisition Company Oy,* Member of the Board of Directors (2021–) *Ahlstrom-Munksjö Oyj,* Chairman of the Board of Directors (2021), Member of the Board of Directors (2019–2020) *Suomen Messut Osuuskunta (Cooperative), Member of the Supervisory Board (2019–)* *Wärtsilä Technology Oy Ab,* Chairman of the Board of Directors *(2015–2019)* *Almaco Group Oy,* Member of the Board of Directors *(2013–2016)*

Anu Hämäläinen Born 1965, MSc (Econ.) in Accounting and Finance **Member of the Board of Directors since 2020** **Vice Chair of the Board of Directors since 2021** **Chair of the Audit Committee since 2020**	*Kesko Corporation,* Vice President of Group Treasury and Financial Services (2020–) *Wärtsilä Corporation,* Vice President of Group Treasury and Financial Services (2015–2020), Vice President, Group Control (2010–2015), Director of Financial Accounting (2008–2010) *SRV Group Plc,* Senior Vice President (2006–2008) **Memberships in other Boards of Directors and positions of trust** *Vähittäiskaupan Tilipalvelu VTP Oy,* Member of the Board of Directors *(2021–)* *Finnish Fund for Industrial Cooperation Ltd (Finnfund),* Member of the Board of Directors (2019–) *Outotec Oyj,* Member of the Board of Directors (2019–2020) *Fingrid Oyj,* Member of the Board of Directors (2016–2020) *Wärtsilä Technology Oy Ab,* Member of the Board of Directors *(2015–2020)* *Glaston Corporation,* Member of the Board of Directors (2012–2019) *G2 Invest Oy,* Deputy Member of the Board of Directors (2006–)
Niko Pakalén Born 1986, MSc (Econ.) in Finance **Member of the Board of Directors since 2020** **Member of the Audit Committee since 2021**	*Cevian Capital,* Partner (2017–), Various roles (2011–2016) *Antler,* Advisor (2018–) *Daske Bank Corporate Finance,* Associate (2008–2011) **Memberships in other Boards of Directors and positions of trust** *TietoEVRY Corporation,* Member of the Board of Directors (2019–)
Teija Sarajärvi Born 1969, Master of Arts **Member of the Board of Directors since 2020**	*Huhtamäki Oyj,* Executive Vice President of HR and Safety (2020–), Senior Vice President, HR (2015–2020) *OP Financial Group,* Executive Vice President (2012–2015) *Metso Pulp, Paper and Power,* Senior Vice President, HR (2009–2012) *Nokia Corporation,* Various roles (1998–2009) **Memberships in other Boards of Directors and positions of trust** *Outotec,* Member of the Board of Directors (2019–2020) *Sarlin Group,* Member of the Board of Directors (2017–)
Jukka Tiitinen Born 1965, MSc in Mechanical Engineering **Member of the Board of Directors since 2020**	*Valmet Oyj,* Area President, North America (2021–), Area President, Asia Pacific (2017–2021), Services Business Line, President (2013–2017) *Metso Corporation,* President, Pulp, Paper and Power, Services business line (2011–2013) *Metso Paper, Inc. North America,* President (2004–2011) *Metso Paper Oy, Service business line,* President (2001–2004) *Metso Paper USA Inc./Valmet Inc.,* Vice President, Roll Services of North America business unit (2000–2001) *Metso Corporation and Valmet Oyj,* several management positions (1990–2000) **Memberships in other Boards of Directors and positions of trust** *Miramarway Invest Oy,* Chairman of the Board of Directors (2015–)
Mark Vernon Born 1953, BSc in Physical Engineering **Member of the Board of Directors since 2020**	*Spirax Sarco Engineering Plc,* Group CEO (2008–2014), Various executive roles (2003–2008) *NightWatch Capital Partners,* Managing Principal (2000–2003) *Tinicum Capital Partners,* Investment Advisor (2000–2001) *Flowserve Corporation Group,* Vice President, Flow Control (1997–1999) *Durco International,* Vice President, Flow Control (1987–1997)

	Valtek International, Various executive roles (1978–1987) **Memberships in other Boards of Directors and positions of trust** *LiqTech International,* Chairman of the Board (2018–), Member of the Board of Directors (2013–2017) *Senior plc,* Member of the Board of Directors (2011–2020), Senior Independent Director (2017–2019)

Committees of the Board of Directors

Audit Committee

Neles' Audit Committee (the "**Audit Committee**") assists the Board of Directors in supervising the company's accounting and financial reporting processes, including the review of financial statements of Neles, risk management as well as in organizing external and internal audit. The Audit Committee manages its tasks in accordance with its charter, the Finnish Corporate Governance Code as well as the applicable laws and regulations.

The Audit Committee comprises at least three members, one of which shall be the Chair of the committee, appointed annually by the Board of Directors among its members. The members of the committee must be independent of the company and at least one member must also be independent of significant shareholders of the company. The Audit Committee as a whole, taking into account members' complementary skills and knowledge, shall have sufficient expertise and experience on the duties of Audit Committee and the environment where the company is active. At least one member of the committee shall have expertise on accounting or auditing. A member of the Audit Committee may not participate in the company's or its group company's daily management.

The current members of the Audit Committee are Anu Hämäläinen, Jukka Tiitinen and Niko Pakalén. Anu Hämäläinen chairs the Audit Committee.

The duties of the Audit Committee are set out in more detail in Neles Audit Committee Charter.

Remuneration Committee

Neles' Remuneration Committee (the "**Remuneration Committee**") assists Neles' Board of Directors in preparing human resources matters pertaining to the compensation and performance of the CEO and the executive team of the company, and the company's remuneration and incentive plans. The Remuneration Committee manages its tasks in accordance with its charter, the Finnish Corporate Governance Code as well as the applicable laws and regulations. The Remuneration Committee comprises at least three members, one of which shall be the Chair of the committee, appointed annually by the Board among its members. The majority of the members of the committee must be independent of the company.

The current members of the Remuneration Committee are Jaakko Eskola, Niko Pakalén, Teija Sarajärvi and Mark Vernon. Jaakko Eskola chairs the Remuneration Committee.

The duties of the Remuneration Committee are set out in more detail in Neles' Remuneration Committee Charter.

President and CEO and Executive Team

The following table presents the members of Neles' Executive Team as at the date of this Merger Prospectus:

Name	Year of birth	Position	Nationality	Appointed
Olli Isotalo	1959	President and CEO	Finnish	2020
Simo Sääskilahti	1971	CFO and Deputy to CEO	Finnish	2020
Elisa Erkkilä	1967	General Counsel	Finnish	2021
Fabio Maia	1974	Head of South and Central America Market Area	Brazilian	2020
Hang Pheng Tan	1968	Head of Asia Pacific Market Area	Singaporean	2020
Hanne Peltola	1969	Head of HR	Finnish	2020
Jon Jested-Rask	1975	Head of EMEIA Market	Danish	2020
Kaisa Voutilainen	1982	Head of Communications and Marketing	Finnish	2020
Kalle Suurpää	1974	Head of Valve Controls and Actuators Business Line	Finnish	2020
Kevin Tinsley	1962	Head of Global Operations	U.S.	2020
Patrick Dunn	1967	Head of North America Market Area	U.S.	2020
Sami Nousiainen	1972	Head of Valves Services Business Line	Finnish	2020
Timo Hänninen	1961	Head of Valves Equipment Business Line	Finnish	2020

Name:	**Background:**
Olli Isotalo Born 1959, M.Sc., Engineering **President and CEO since 2020**	*Metso Oyj,* President, Valves Business Area (2019–2020) *Patria Oyj*, President & CEO (2016–2019) *Cargotec Corporation,* President, Kalmar (2012–2016), Executive Vice President, Marine (2006–2012) *Bromma,* President (2003–2006) *Velsa Oy,* Managing Director (1999–2003) *Kalmar Industries AB,* Vice President, Technology and Production Development (1997–1998) *Sisu Terminal Systems Oy,* Vice President, Production (1993–1997) *Valmet Corporation,* Production management positions (1984–1993) **Memberships in other Boards of Directors and positions of trust** *Mantsinen Group Ltd Oy,* Chairman of the Board of Directors (2020–) *Stooritaivas Oy*, Chairman of the Board of Directors (2015–) *Technology Industries of Finland*, Member of the Board of Directors (2017–2019) *Association of Finnish Defence and Aerospace Industries,* Chairman of the Board of Directors (2016–2018) *Componenta Oyj,* Member of the Board of Directors (2015–2019) *GS-Hydro Oy,* Member of the Board of Directors (2012–2016)
Simo Sääskilahti Born 1971, M.Sc. Engineering, M.Sc. Economics **CFO and Deputy to CEO since 2020**	*Metso Oyj*, Senior Vice President, Finance, Valves BA (2020), Senior Vice President, Valve Technologies/Valve Equipment Unit, Valves BA (2016–2019), Senior Vice President, Strategy and Business Development, Member of Metso's Executive Team (2013–2016), Vice President, Business Development Automation Segment (2011–2013) *Comptel Corporation,* Deputy CEO, Corporate Planning (2011), Senior Vice President, Corporate Development (2009–2011), CFO and several other management positions (2001–2009) *McKinsey & Co,* Management Consultant (1997–2001)

Elisa Erkkilä Born 1967, LLM, MCL, Trained on the bench **General Counsel since 2020, Member of the Executive Team since 2021**	*Metso Oyj,* Various positions in legal, compliance and risk management (2008–2020) *Hong Kong CSL,* General Counsel (2001–2004) *Pacific Century Cyberworks,* Group Legal Adviser (1999–2001) *Alban Tay Mahtani & de Silva,* European Lawyer *(1997–1999)*
Fabio Maia Born 1974, MBA, Business Management **Head of South and Central America Market Area since 2020**	*Metso Oyj,* Vice President, Valves South America (2018–2020) *Hammelmann Pumps,* General Manager, Brazil & Mercosul (2017–2018) *SULZER,* Sales Director, Member of Sulzer's Local Executive Team (2012–2017) *Atlas Copco,* Sales Manager (2011–2012) *Festo,* Sales Coordinator (2005–2011) *Flowserve*, Sales Engineer (1998–2005)
Hang Pheng Tan Born 1968, MBA, Bachelor of Electrical Engineering **Head of Asia Pacific Market Area since 2020**	*Metso Flow Control,* Vice President, China Market Area (2013–2020), Several management positions (2008–2013) *General Electric,* Several positions (Engineering & Field Services) (1997–2008) *Philips Singapore,* Project Engineer (1995–1997)
Hanne Peltola Born 1969, M.Soc.Sc., eMBA **Head of HR since 2020**	*Metso Oyj,* Vice President, HR EMEA Region and Valves (2016–2020) *Paroc Group Ltd.,* Group HR Director (2015–2016) *Outotec Oyj,* Director, HR (2010–2015) *Larox Corporation,* Director, HR and Corporate Communications (2006–2010) *UPM-Kymmene Oyj,* Several HR Manager and HRD manager positions (2001–2006) *Sonera,* HRD Consultant (1998–2000)
Jon Jested-Rask Born 1975, M.Sc., Economics and Business Administration **Head of EMEIA Market since 2020**	*Metso Oyj,* Senior Vice President, EMEIA (2020) *Metso Oyj,* Several management positions (2008–2020) *Kemotron Products,* Managing Director (2006–2008) *Kemotron Products,* Vice President, Sales and Marketing (2005–2006) *Absolut Vodka Denmark,* Brand Manager (2004–2005) *Colgate–Palmolive,* Nordic Product manager (2003–2004)
Kaisa Voutilainen Born 1982, MA, International Business Communication **Head of Communications and Marketing since 2020**	*Metso Oyj,* Business Communication Manager (2016–2020) *HiQ Finland,* Marketing Manager (2011–2016) *Frends Technology,* Marketing Manager (2010–2011)
Kalle Suurpää Born 1974, Msc., Technology **Head of Valve Controls and Actuators Business Line since 2020**	*Metso Flow Control,* Vice President, Technology (2018–2020) *Metso Flow Control,* Vice President, Product development (2017–2018) *Metso Flow Control,* Other positions (2014–2016) *Microsoft Mobile Oy,* Product Program manager (2014) *Nokia Corporation,* Various positions (R&D etc.) (2000–2014)

Kevin Tinsley Born 1962, MBA **Head of Global Operations since 2020**	*Metso Oyj,* Senior Vice President, Global operations, Valves BA (2011–2020) *Jamesbury brand,* Vice President, Operations (2002–20011) *Fiber Optic Network Solutions,* Chief Financial Officer (1999–2002) *Greenblatt, Rosenblatt, Kull and Pitsoli,* Partner (1995–1999) *LOVE, Bollus, Lynch & Rogers,* Tax Manager (1990–1995) *Feeley & Driscoll,* Tax Specialist (1986–1990)
Patrick Dunn Born 1967, BA, Social Rehabilitation & Sociology **Head of North America Market Area since 2020**	*Metso Flow Control,* Market Area Head, North America (2015–2020) *Metso Automation & Field Systems,* Vice President of Sales, North America and Mexico (2007–2015) *Metso Automation & Field Systems,* Regional Sales Manager (2005–2007) *Metso Automation & Field Systems,* Area Sales Manager (1998–2004) *Hoffmann Industries Inc.,* Northeast Territory Sales Manager (1996–1998) *LaVigne Inc.,* Sales Account Manager (1994–1996) *Intel Corportion, CA,* Territory Marketing Specialist (1992–1994)
Sami Nousiainen Born 1972, M.Sc. **Head of Valves Services Business Line since 2020**	*Metso Flow Control,* Vice President, Valves Services (2020) *Metso Flow Control,* Director, Field Service (2018–2020) *Metso Flow Control,* Vice President, Valve Controls (2015–2018) *Metso Flow Control,* Director, Positioners and Limit Switches (2013–2015) *Metso Flow Control,* Director, Neles Smart Products R&D (2009–2011) *Metso Flow Control,* Product Manager, Positioners and Limit Switches (2007–2009) *Metso Flow Control,* Various positions (2000–2007)
Timo Hänninen Born 1961, B.Sc., eMBA **Head of Valves Equipment Business Line since 2020**	*Metso Flow Control,* Vice President, Services (2014–2020) *Metso Automation,* Various management positions (1998–2014) *Neles Automation,* Engineering Manager (1999–2002) *Neles Controls,* Manager, Sales Support and Project Manager (1995–1998) *Neles-Jamesbury, UK & Finland,* Sales Engineer (1989–1995)

Information on the Members of the Board of Directors and the Executive Team

As at the date of this Prospectus, none of the members of Neles' Board of Directors or Executive Team has, in the previous five years:

- been convicted in relation to fraudulent crimes or violation;
- held a managerial position, been in the executive management, been a member of the administrative or supervisory bodies of any company, or acted as a general partner in a limited partnership at the time of its bankruptcy, administration of an estate, or liquidation (excluding voluntary liquidation proceedings with a purpose of dissolving the company). Notwithstanding the aforesaid, Olli Isotalo has during 2015–2019 served as a member of the Board of Directors of Componenta Oyj, which filed for corporate restructuring on 1 September 2016, with the restructuring programme that ended on 27 April 2021 being confirmed on 23 August 2017; or
- been subject to any official public incrimination and/or sanctions by any statutory or supervisory authorities (including any designated professional bodies) or been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company.

Conflicts of Interest

The provisions regarding the conflicts of interest of the management are set forth in the Finnish Companies Act. Pursuant to Section 4 of Chapter 6 of the Finnish Companies Act, the members of the Board of Directors or the CEO may not participate in the handling of a contract between them and Neles. Pursuant to Section 4(a) of Chapter 6 of the Finnish Companies Act, a member of the Board of Directors of a publicly listed company may not participate, in the Board of

Directors of the company or of its subsidiary, in the handling of a matter pertaining to a contract between the company and a third party, should the member in question be related to them and the action in question does not fall within the ordinary course of business of the company or is not concluded on normal commercial terms. A decision concerning such a matter is valid if it is supported by the required majority of those board members of the publicly listed company or its Finnish subsidiary who are not considered related parties to the matter at hand. The CEO is subject to the above-mentioned provisions related to the incapacity of a member of the Board of Directors of a public listed company in the decision-making of its subsidiary. What is stated above regarding the agreement is also applicable to other legal acts and legal proceedings, and to the exercise of the right to speak. The Finnish Companies Act contains no provisions on the conflicts of interest of the members of the management team.

Jukka Tiitinen is currently acting as Area President, North America, of Valmet. He has not participated in decision-making concerning the Merger in the Board of Directors of Neles. To the knowledge of Neles, notwithstanding any shares they hold directly or indirectly in Neles, the members of the Board of Directors, the CEO, and the members of the Executive Team do not have any other conflicts of interest between their duties to Neles and their private interests and/or their other duties. There are no family relationships between the members of Neles' Board of Directors or the members of its Executive Team.

Based on an evaluation of independence, all the members of Neles' Board of Directors are considered to be independent of Neles. The members of the Board of Directors are independent of Neles' major shareholders, with the exception of Jukka Titinen, who is not independent of Neles' major shareholder based on his current position as Area President, North America, of Valmet and Niko Pakalén, who is not independent of Neles' major shareholder based on his current position as a Partner of Cevian Capital AB.

Auditors

Pursuant to Article 7 of Neles' Articles of Association, Neles has one auditor, which shall be an auditing corporation approved by the Finland Chamber of Commerce. The auditor's term of office shall expire at the adjournment of the Annual General Meeting following the election. Neles has appointed Ernst & Young Oy, Authorized Public Accountants, as its auditor. Ernst & Young Oy has appointed Toni Halonen, Authorized Public Accountant, as the auditor with the principal responsibility.

The consolidated financial statements as at and for the year ended December 31, 2020 have been audited by Ernst & Young Oy, Authorized Public Accountants, and have been incorporated by reference into this Merger Prospectus. Authorized Public Accountant Toni Halonen acted as the principal auditor in the financial year ended December 31, 2020. Toni Halonen is registered in the register of auditors referred in Section 9 of Chapter 6 of the Finnish Auditing Act.

Neles' Annual General Meeting held on March 26, 2021 re-elected Ernst & Young Oy as the auditor for a period for a term in accordance with the Articles of Association that will expire at the closing of the next Annual General Meeting. Authorized Public Accountant Toni Halonen is acting as the principal auditor

Neles' Shares and Share Capital

General Information

The registered name of Neles is Neles Oyj in Finnish, Neles Abp in Swedish and Neles Corporation in English. Neles is domiciled in Vantaa, Finland, its registered address is Vanha Porvoontie 229, FI-01380 Vantaa, Finland and the telephone number of Neles is +358 10 417 5000. Neles is a Finnish public limited liability company subject to the laws of Finland. The business identity code of Neles is 1538032-5, its legal entity identifier (LEI) is 2138007FRMWVPUDCMA45 and its accounting period is the calendar year. Neles was registered with the Finnish Trade Register on July 1, 1999, and its name was changed to Neles on June 30, 2020 in connection with its formation as an independent company through a demerger.

Pursuant to Article 2 of the Articles of Association, Neles' field of business is, either directly or through its subsidiaries or associated companies, to globally design, develop, sell, and manufacture industrial products and systems and related spare parts as well as maintenance and diagnostic services, among others, relating to flow control. As a parent company, Neles Corporation may also manage the Corporation's organization, financing, procurement, and other similar common activities and also own real property, shares and shareholdings, trade in securities, and engage in other investment business.

Shares and Share Capital

As at the date of this Merger Prospectus, Neles' registered share capital is EUR 50,982,843.80 and the number of shares issued is 150,348,256. The shares have no nominal value, are denominated in euro and all shares issued have been paid in full and issued in accordance with Finnish laws.

Neles has one class of shares, the ISIN code of which is FI4000440664. Each share entitles to one vote at the General Meetings of Neles and all shares provide equal rights to dividend and other distributable funds of Neles, including the distribution of Neles' assets in dissolution. There are no voting restrictions related to the shares and the shares are freely transferable.

Neles' shares have been listed on the official list of Nasdaq Helsinki since July 1, 2020, and the trading code of the shares is NELES. The shares were entered into the book-entry securities system of Euroclear Finland on July 1, 1999.

Neles holds 150,361 shares in Neles as at the date of this Merger Prospectus.

History of the Share Capital

Neles' share capital as at the date of this Merger Prospectus is EUR 50,982,843.80, which was registered on June 30, 2020. In connection with the partial demerger on June 30, 2020, the share capital was reduced by EUR 90,000,000 to EUR 50,982,843.80.

Current Authorizations

Authorization of the Board of Directors to decide on the repurchase of the Company's own shares

The Annual General Meeting of Neles held on March 26, 2021 decided to authorize the Board of Directors to decide on the repurchase of Neles' own shares. The number of own shares to be repurchased shall not exceed 5,000,000 shares, which corresponds to approximately 3.3 percent of all the shares in Neles. Own shares can be repurchased also otherwise than in proportion to the shareholdings of the shareholders (directed repurchase). Own shares can be repurchased using the unrestricted equity of Neles at a price formed in public trading on the date of the repurchase or otherwise at a market-based price. Shares may be repurchased in order to develop Neles' capital structure, in order to finance or carry out acquisitions, investments or other business transactions, or in order to use the shares as part of the Neles' incentive schemes. The repurchased own shares may be held by Neles, cancelled, or transferred further. The Board of Directors was authorized to decide on all other matters related to the repurchase of own shares. The authorization is effective until June 30, 2022, and it cancels the authorization given by the Annual General Meeting on June 16, 2020 to decide on the repurchase of Neles' own shares.

Authorization of the Board of Directors to decide on the issuance of shares and the issuance of special rights entitling to shares

The Annual General Meeting of Neles held on March 26, 2021 decided to authorize the Board of Directors to decide on the issuance of shares as well as the issuance of special rights entitling to shares referred to in Chapter 10, Section 1 of the Finnish Companies Act. The number of shares to be issued either directly or on the basis of special rights entitling to shares shall not exceed 15,000,000 shares in aggregate, which corresponds to approximately 10 percent of all of the shares in Neles. The Board of Directors was authorized to decide on all the conditions of the issuance of shares and of special rights entitling to shares. The authorization concerns both the issuance of new shares as well as the transfer of treasury shares. The issuance of shares and of special rights entitling to shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue). The authorization is effective until June 30, 2022, and it cancels the authorization given by the Annual General Meeting on June 16, 2020 to decide on the issuance of shares and the issuance of special rights entitling to shares.

Share-based Incentive Schemes

The Board decides on and implements Neles' long-term incentive plans. The purpose of these plans is to align the interests of Neles' operative management and shareholders. The plans also aim to ensure long-term commitment of management and to offer them a competitive reward scheme. Any shares to be potentially rewarded in these incentive plans are acquired through public trading, and therefore have no diluting effect on the share value. Share repurchase- and share issue authorizations are obtained from the Annual General Meeting.

Neles has four (4) share-based long-term incentive plans under which share rewards have not been paid in their entirety: Performance Share Plan (PSP) 2021–2023, Performance Share Plan (PSP) 2020–2022, Deferred Share Unit Plan (DSUP) 2021–2023 and Deferred Share Unit Plan (DSUP) 2019–2021.

In addition to the Performance Share Plan and Deferred Share Unit Plan structures, Neles has a Restricted Share Plan structure as a complementary long-term retention tool for individually selected key employees in specific situations. The Restricted Share Plan structure consists of annually commencing individual restricted share plans, each with a three-year retention period, after which the share rewards granted within the individual plan will be paid to the participants in listed shares of Neles. The commencement of each new individual plan is subject to a separate Board approval. Neles has, however, not granted or allocated any share rewards within the Restricted Share Plan structure. Consequently, there are no payable rewards outstanding under the Restricted Share Plan structure.

Performance Share Plan

The Performance Share Plan consists of annually commencing individual performance share plans, each with a three-year performance period, followed by the payment of the potential share reward. The commencement of each new individual plan is subject to a separate Board approval.

PSP 2021-2023 commenced as of the beginning of 2021 and the potential share rewards thereunder would, based on the original plan structure, be paid in the spring 2024, provided that the performance targets set by the Board of Directors for this plan are achieved. The performance targets applied to this plan are the relative total shareholder return of Neles' share and earnings per share (EPS), the measures having equal weight. The members of Neles' Executive Team are eligible to participate in PSP 2021–2023.

The first plan, PSP 2020–2022, commenced as of the beginning of 2020 and the potential share rewards thereunder would, based on the original plan structure, be paid in the spring 2023, provided that the performance targets set by the Board of Directors for this plan are achieved. The performance targets applied to this plan are the relative total shareholder return of Neles' share and earnings per share (EPS), the measures having equal weight. The members of the Neles' Executive Team are eligible to participate in PSP 2020–2022.

Deferred Share Unit Plan

Deferred Share Unit Plan (DSUP) is a long-term share value-based incentive plan that aligns the participating employees' performance and Neles' share value development during the plan period. The reward is payable approximately three years after the commencement of the plan, provided that the terms of payment are met. The commencement of each new individual plan is subject to a separate Board approval. The DSUP rewards its participants for individual and company and/or business unit level performance during a one-year performance period. According to the original plan structure the reward potentially earned during the one-year performance period would be converted to synthetic share units for an approximately two-year share price performance period, after which the reward is paid in cash based on the value of the share of Neles at the time of payment. Notwithstanding this, the company is entitled to decide whether the reward is paid in cash or in shares of Neles.

Neles has currently two ongoing Deferred Share Unit Plans, DSUP 2019–2021 and DSUP 2021–2023. DSUP 2021–2023 commenced as of the beginning of 2021 and is the first individual plan within the DSUP structure after Neles' formation as an independent company through a partial demerger in 2020. Neles' Executive Team members are not eligible to participate in the DSUP plan, except in DSUP 2019–2021 that commenced prior to Neles' formation as an independent company. Certain individuals entitled to participate in DSUP 2019–2021 are currently members of the Neles' Executive Team.

The Impact of the Merger on the Share-based Incentive Plans

The Board of Directors of Neles has, conditionally and subject to the execution of the Merger, resolved on the impact of the Merger on the ongoing long-term incentive plans described above in accordance with their terms and conditions. According to the resolution, the incentive plans will be settled in cash. The rewards payable based on PSP 2020–2022, PSP 2021–2023 and DSUP 2021–2023 will be paid approximately either six or twelve months after the Effective Date of the Merger. The rewards payable based on DSUP 2019–2021 will be paid in accordance with the original payment schedule of this plan, during the first half of 2022.

In the event that any amendments to the treatment of the incentive plans in Neles are required prior to the Effective Date, the Board of Directors of Neles shall resolve on such matters prior to the Effective Date subject to the Combination Agreement and the Merger Plan.

Based on the current assumptions, the aggregate cost of the rewards payable based on the said plans is approximately EUR 7.3 million, payable to approximately 52 participants in the aggregate. The final outcome of the reward payable may differ from the estimated.

Dividends and Dividend Policy

The Annual General Meeting held on March 26, 2021 decided in deviation from the proposal of the Board of Directors that a minority dividend corresponding to eight (8) percent of the company's equity shall be paid in accordance with Chapter 13, Section 7 of the Finnish Companies Act based on the balance sheet adopted for the financial year, which ended December 31, 2020. The amount of minority dividend was EUR 0.2205 per share.

In addition, the Board of Directors of Neles proposed on August 9, 2021 to its EGM resolving on the Merger that the Board of Directors be authorized to resolve on the payment of the Extra Distribution to Neles Shareholders. Neles will separately publish its Board of Directors' resolution to distribute funds based on the authorization and will simultaneously confirm the applicable record and payment dates for the Extra Distribution to Neles Shareholders. The Extra Distribution to Neles Shareholders is intended to be paid shortly before the completion of the Merger after all other conditions to the completion of the Merger have been fulfilled or waived.

Neles' mid-term financial targets as published on May 25, 2020 include a dividend pay-out of approximately 40 percent of net earnings (excluding PPA amortization related to acquisitions).

Under the Finnish Companies Act, the General Meeting decides on the distribution of dividends based on a proposal by the company's Board of Directors. Dividends are generally declared once every financial year and may be paid only after the General Meeting of Shareholders has approved the company's financial statements. For a description of the restrictions applicable to dividend distributions, see "*Shareholder Rights – Dividends and Distribution of Unrestricted Equity*".

Neles' Ownership Structure

Shareholders owning 5 percent or more of the shares or proportion of voting rights in Neles have an interest in the company's share capital which is notifiable pursuant to the Finnish Securities Markets Act. The following table sets forth the shareholders owning 5 percent or more of the shares or proportion of voting rights in Neles, based on information available to Neles as at August 30, 2021:

Shareholder	**Number of shares**	**Percent of shares and votes**
Valmet Oyj	44,415,207	29.54
Cevian Capital Partners Limited	16,351,141	10.88
Alfa Laval Ab (publ)	12,723,923	8.46
Other shareholders, including nominee-registered shareholders	76,857,985	51.12
Total shares in Neles	**150,348,256**	**100**

To the extent known to Neles, Neles is not, directly or indirectly, owned or controlled by any one person. Neles is not aware of any arrangements that may lead to a change of control in Neles.

Neles' Related Party Transactions

Neles' related parties include members of the Board of Directors, members of Neles' Executive Team, their close family members, entities under their control or with significant influence as well as subsidiaries and shareholders with significant influence.

The following table presents the remuneration paid to the Board of Directors, the President & CEO and other members of the Executive Team for the financial year ended December 31, 2020. The remuneration is presented from July 1, 2020 onwards, *i.e.* as from the Neles Board of Directors, the President & CEO and other members of the Executive Team have acted.

EUR thousand	**For the period July 1 – December 31, 2020 (audited, unless otherwise indicated)**
President and CEO	
Salaries, bonuses and fringe benefits	233
Post-employment benefit	50
Share-based payments..	-
Total	**284**
Members of the Executive Team	
Salaries, bonuses and fringe benefits	945
Post-employment benefit	111
Share-based payments..	-
Total	**1,056**
Members of the Board of Directors	382[1)]
Total	**1,722**[2)]

[1)] On accrued basis, as impacting the consolidated income statement.
[2)] Unaudited.

Neles has no loan receivables from the Executive Team or the members of the Board of Directors. No pledges or other commitments have been given on behalf of management or shareholders.

In July 2021, the President and CEO was paid a customary one-off retention bonus which was granted by the Board of Directors to the President and CEO in connection with the public tender offer for Neles in 2020. In addition to the President and CEO, a retention bonus was also paid to ten other key persons, of which most are not part of the Executive Team. The paid retention bonuses amounted to EUR 723 thousand (excluding social costs), of which the retention bonus paid to the President and CEO's bonus amounted to EUR 240 thousand. Beyond this, there has been no material changes in the remuneration of the Board of Directors, the President and CEO and other members of the Executive Team between December 31, 2020 and the date of this Merger Prospectus.

Valmet, holding a 29.5 percent stake of Neles shares, has the ability to exercise a significant influence over the company and is therefore a related party to Neles. Transactions with a related party are made on terms equivalent to other external customers and on arm's length basis.

The following table presents the transactions and balances with Valmet as at the dates and for the periods presented:

	As at and for the six months ended June 30, 2021	**As at and for the year ended December 31, 2020** [1)]
In EUR million	**(unaudited)**	**(audited)**
Sales	7	7
Rental income	0	0
Receivables	5	7

[1)] Valmet became a related party entity on August 12, 2020, when its shareholding exceeded 20 percent. Figures for the financial year 2020 are reported here for the period August 1, 2020–December 31, 2020 and as at December 31, 2020.

There have not been any significant changes in Neles' related party transactions between June 30, 2021 and the date of this Merger Prospectus.

SHAREHOLDER RIGHTS

Valmet Shares

Valmet has a single class of shares. Valmet's shares are listed on Nasdaq Helsinki with ISIN code FI4000074984 and trading code VALMT. The trading currency of Valmet's shares is the euro. Each share entitles its holder to one vote at a general meeting of shareholders, and the shares are freely transferable. There are neither voting restrictions nor vote-cutters related to the shares. The number of Valmet's issued shares on the date of this Merger Prospectus is [149,864,619], and they are fully paid and issued in accordance with Finnish laws. Valmet's shares have no nominal value, and Valmet's Articles of Association do not contain any provisions governing the minimum or the maximum of the number of shares or the amount of share capital.

There is further information on Valmet's shares and share capital in the section "*Information on Valmet – Valmet's Shares and Share Capital*". For further information on the nominee registration of shares, see "*The Finnish Securities Markets – Book-Entry Securities System – Custody of the shares and nominee registration*".

Pre-emptive Subscription Rights

Pursuant to the Finnish Companies Act, the shareholders of a Finnish limited liability company have a pre-emptive right to subscribe for the company's shares in proportion to the number of shares in the company they already hold unless otherwise provided in the resolution of the General Meeting or the Board of Directors on such issue. Pursuant to the Finnish Companies Act, a resolution by the General Meeting that deviates from the shareholders' pre-emptive rights must be approved by at least two thirds of all votes cast and shares represented at the General Meeting. In addition, pursuant to the Finnish Companies Act, such a resolution requires that the company has a weighty financial reason to deviate from the pre-emptive rights of shareholders. In addition, pursuant to the Finnish Companies Act, a resolution on a share issue without payment waiving the shareholders' pre-emptive rights requires that there is an especially weighty financial reason for the company and considering the interests of all shareholders in the company.

Certain shareholders who reside in or have a registered address in certain jurisdictions other than Finland may not be able to exercise pre-emptive rights in respect of their shareholdings unless a registration statement, or an equivalent thereof under the applicable securities laws of their respective jurisdictions, is effective or an exemption from any registration or similar requirements under the applicable laws of their respective jurisdictions is available.

General Meeting

Pursuant to the Finnish Companies Act, shareholders exercise their decision-making power at General Meetings which must be held as a physical meeting in the municipality of the company's registered office, unless the articles of association provide for a different municipality. Holding the meeting elsewhere requires a very weighty reason. Under the Finnish Act 375/2021 which temporarily deviates from some of the provisions of the Finnish Companies Act, listed companies may organize their General Meetings solely through remote participation (*i.e.*, without shareholders' participation at the meeting venue) or solely through a proxy representative. The temporary act is in force until June 30, 2022. Pursuant to the Articles of Association of Valmet and the Finnish Companies Act, the Annual General Meeting is to be held annually within six (6) months of the end of the financial year.

Pursuant to the Finnish Companies Act and Articles of Association of Valmet, the Annual General Meeting must resolve on, among other things, the following matters:

- adoption of the financial statements,
- use of the profit shown on the balance sheet,
- election of the Chairman, Vice Chairman and members of the Board of Directors and the decision on their remuneration,
- discharging the members of the Board of Directors and the President and CEO from liability, and
- election of the Auditor and the decision on the Auditor's compensation.

Furthermore, an authorization for the Board of Directors to resolve on a share issue or issue of other special rights entitling to shares and amendments to the Articles of Association also require the resolution of the General Meeting. In addition to Annual General Meetings, Extraordinary General Meetings may also be held if required. Depending on the nature of the matter to be resolved, the provisions of the Finnish Companies Act regarding qualified majority, as described below, are applied.

The General Meeting handles the matters required by the Finnish Companies Act or the Articles of Association or presented to it by the Board of Directors. As a general rule, the General Meeting is convened by the Board of Directors. If a shareholder or shareholders of a company controlling at least ten percent of the shares or the company's auditor requests in writing that a certain matter be handled at the General Meeting, the Board of Directors must convene the

General Meeting within one month from the arrival of the request. Under the Finnish Companies Act, a shareholder may submit a written request to the Board of Directors to include on the agenda for the next General Meeting any matter falling within the competence of the General Meeting, provided that the request is submitted in good time so that it can be included in the notice to the meeting. In a listed company, a request is always considered to be on time if it is submitted no later than four weeks prior to notice being given to a meeting.

A proposal by the Shareholders' Nomination Board for the composition of the Board of Directors is included in the notice to the Annual General Meeting. The same applies to a proposal for the composition of the Board of Directors made by shareholders with at least 10 percent of the votes carried by the shares, provided that the candidates have given their consent to the election and the company has received information of the proposal sufficiently in advance so that it may be included in the notice to the General Meeting. A proposal by the Board of Directors for the auditors of the company is published in connection with the notice to the General Meeting.

Pursuant to Valmet's Articles of Association, General Meetings shall be convened by publishing the notice convening a General Meeting of shareholders on the company's website or in one or more widely circulated daily newspapers designated by the Board of Directors or otherwise in a verifiable manner no more than three (3) months and no less than three (3) weeks prior to the General Meeting of shareholders, however, in any case, at least nine (9) days prior to the record date of the General Meeting of shareholders referred to in Chapter 4, Section 2, Subsection 2 of the Finnish Companies Act. In order to participate in the General Meeting, a shareholder must register with the company at the latest on the date referred to in the notice convening the meeting, which may be at the earliest ten (10) days prior to the General Meeting of shareholders.

Pursuant to the Finnish Companies Act, only the shareholders who have been entered in the company's shareholders' register maintained by Euroclear Finland eight working days before a General Meeting (the "**Record Date**") have the right to attend the General Meeting. A holder of nominee-registered shares has the right to participate in the General Meeting by virtue of such shares based on which they would, on the Record Date, be entitled to be registered in the shareholders' register of the company held by Euroclear Finland. The right of a holder of nominee-registered shares to participate in the General Meeting requires, in addition, that the shareholder has been registered on the basis of such shares in the temporary shareholders' register of the company held by Euroclear Finland. The notification of temporary entry into the shareholders' register must be submitted no later than on the date specified in the notice to the General Meeting, which must be after the Record Date.

Pursuant to the Finnish Companies Act, a shareholder may participate in the General Meeting in person or by way of proxy representation. A proxy representative must produce a dated proxy document or otherwise in a reliable manner demonstrate their right to represent a shareholder at the General Meeting. When a shareholder participates in the General Meeting by means of several proxy representatives representing the shareholder based on shares in different securities accounts, the shares based on which each proxy representative represents the shareholder must be identified in connection with the registration for the General Meeting. In addition, each shareholder or proxy representative may have an assistant present at the General Meeting.

Right of Redemption in Connection with the Merger

According to the Finnish Companies Act, a shareholder of a merging company who votes against a merger at the General Meeting of shareholders deciding on a merger may, at such General Meeting of shareholders, demand that the shareholder's shares be redeemed in cash at a price that corresponds to the fair price at the time preceding the merger decision. If the EGM of Neles approves the Merger, each shareholder of Neles, who has demanded redemption of his or her shares and voted against the Merger at the EGM, has the right to have his or her shares in Neles redeemed by Valmet in cash at a fair price. If a shareholder who has demanded redemption is unable to agree with Valmet on the right or terms of the redemption of Neles' shares, the shareholder shall submit the matter to arbitration within a specified timeframe in accordance with the Finnish Companies Act. The redemption price must be paid within a month of a final judgment on the redemption, but not before the registration of the completion of the Merger. Once the arbitration proceedings have been initiated, the shareholder shall only have a right to the redemption price. If it is later determined in the redemption proceedings that the shareholder has no right of redemption, he or she shall have a right to the Merger Consideration in accordance with the Merger Plan. If the Merger lapses, the redemption proceedings shall also lapse.

Pursuant to the Combination Agreement and the Merger Plan, the completion of the Merger is subject to the condition that shareholders in Neles representing no more than twenty (20) percent of all shares and votes in Neles demand at the EGM of Neles resolving on the Merger that their shares be redeemed (subject to waiver by Valmet and Neles). For further information, see "*Risk Factors – Risks Related to the Merger – The Combined Company could be obligated to make a significant cash payment or the Merger may not be completed should some of Neles' shareholders vote against the Merger in the EGM of Neles and require redemption of their shares in Neles*" and "*Merger of Valmet and Neles – Extraordinary General Meeting of Neles for Approving the Merger*".

Voting Rights

A shareholder may attend and vote at a General Meeting personally or by using an authorized representative. Each Valmet share entitles its holder to cast one (1) vote at the General Meeting. If a holder of a nominee-registered share wishes to attend the General Meeting and exercise the voting rights attached to such share, the holder must register for a temporary entry in Valmet's shareholders' register. A notification for the temporary entry into the shareholders' register must be submitted no later than on the date specified in the notice to the General Meeting, which must be after the Record Date. There are no quorum requirements for the General Meetings in the Finnish Companies Act or Valmet's Articles of Association.

At the General Meeting, resolutions generally require the approval of the majority of the votes cast. However, certain resolutions, such as amending the Articles of Association, a directed share issue and, in certain cases, a resolution regarding the merger or demerger of the company, require a majority of two thirds of the votes cast and of the shares represented at the General Meeting. In addition, certain resolutions, such as a mandatory redemption of the shares in deviation from the shareholdings of the shareholders, require the consent of all shareholders.

Dividends and Distribution of Unrestricted Equity

Under the Finnish Companies Act, dividends on shares of a Finnish company may only be paid after the General Meeting has resolved on the distribution of dividend. As a general rule, the General Meeting may not decide to distribute assets in excess of what the Board of Directors has proposed or approved. Pursuant to the Finnish Companies Act, the distribution of dividends must be based on the most recently adopted and audited financial statements. A company may also pay an interim dividend based on the earnings of the ongoing financial year if the EGM adopts new audited financial statements. The payment of dividends requires the approval of the majority of the votes cast at the General Meeting. The General Meeting may also authorize the Board of Directors to decide on the distribution of dividend.

Pursuant to the Finnish Companies Act, equity is divided into restricted and unrestricted equity. The division between restricted equity and unrestricted equity is relevant in the determination of distributable funds. Share capital and revaluation surplus, fair value reserve, and revaluation reserve as defined in the Finnish Accounting Act (1336/1997, as amended) are restricted equity. The share premium reserve and legal reserve established prior to the entry into force of the Finnish Companies Act are restricted equity as provided by the Act on the Implementation of the Companies Act (625/2006, as amended). Unrestricted equity consists of other reserves and the profit of the current and previous financial periods. The amount of any dividend or other distribution of assets is limited to the amount of distributable funds. However, no funds may be distributed if at the time of deciding on the distribution it is known or it should be known that the company is insolvent or that the distribution would result in insolvency. Distributable funds include the profit for the financial year, retained earnings from previous years, and other unrestricted equity, less reported losses and the amount required by the company's Articles of Association to be left undistributed. The distributable funds must be adjusted as appropriate by the amount of foundation, research, and certain development costs capitalized in the balance sheet pursuant to the Act on the Implementation of the Companies Act.

A dividend or other distribution of assets may not exceed the amount proposed or approved by the Board of Directors unless requested at the Annual General Meeting by shareholders representing at least ten percent of the issued shares of a company. If such a request is presented, and sufficient distributable funds are available as described above, the dividend paid must equal at least one half of a company's profit for the financial year, less the amount required by the company's Articles of Association to be left undistributed. The shareholders may, however, not request a dividend exceeding eight percent of the total equity of a company. The possible distributions of profit for the financial period before the General Meeting are subtracted from the amount to be distributed.

Dividend and other distributions are paid to shareholders or their nominees who are included in the shareholders' register on the relevant Record Date. The shareholders' register is maintained by Euroclear Finland through a relevant book-entry account operator. Under the Finnish book-entry securities system, dividends are paid by account transfers to the accounts of the shareholders appearing in the registry. All shares of Valmet provide their holders equal rights to dividend and other distributions of Valmet (including in an event of dissolution of Valmet). The date of expiry of the dividend is usually three years from the payment date of the dividend.

The Merger Consideration Shares entitle their holder to dividends and other distribution of assets by Valmet as well as other shareholder rights after being registered in the Finnish Trade Register. The distribution of other unrestricted equity than profits is affected essentially in the same way as described above regarding the distribution of dividend. For more information regarding the repurchase and redemption of a company's own shares, see "– *Treasury Shares*" below.

Treasury Shares

Pursuant to the Finnish Companies Act, a company can repurchase or redeem its own shares. Resolutions regarding the repurchase or redemption of a company's own shares must be made by the General Meeting and require at least two thirds of the votes cast and the shares represented at the meeting. The General Meeting may also authorize the Board of Directors to decide on a repurchase of the company's own shares using unrestricted equity. Any such authorization remains in effect for a specific period of time, which cannot exceed 18 months. A company may repurchase its own shares in a proportion other than that of the shares held by the shareholders only if there is a weighty financial reason for the company to do so. As a general rule, a company may redeem its own shares in a proportion other than that of the shares held by the shareholders only by the consent of all shareholders. A public limited liability company's decision to repurchase or redeem its own shares or to accept them as pledge may not be made if the treasury shares in the possession of or held as pledges by the company and its subsidiaries exceed ten percent of all shares. Shares held by a company or its subsidiaries do not entitle the holder to participate in the General Meeting.

Mandatory Tender Offer and Redemption Obligation

The Finnish Securities Markets Act requires that a shareholder whose holding in a company exceeds three tenths or one half of the total voting rights attached to the shares of the company after the commencement of a public quotation of such shares must make a public tender offer for all the remaining shares and securities with an entitlement to the shares issued by the company for fair value. For more information, see "*The Finnish Securities Markets – Regulation of the Securities Markets*".

Under the Finnish Companies Act, a party holding more than nine tenths of all the shares and votes attached to the shares in a company has the right to redeem the shares of the other shareholders of the company at fair value. The Finnish Companies Act provides detailed provisions for the calculation of shares and votes attached thereto. In addition, any minority shareholder that possesses shares that may be so redeemed by a majority shareholder under the Finnish Companies Act has the right to require such majority shareholder to redeem its shares. If a shareholding constitutes the right and obligation for redemption, the company must immediately have this entered in the Finnish Trade Register. The Redemption Committee of the Finland Chamber of Commerce appoints a requisite number of arbitrators to resolve disputes related to the redemption and the redemption price. The fair price of the share before the initiation of the arbitration serves as the basis for the determination of the redemption price.

Transfer through the Finnish Book-Entry Securities System

When selling shares incorporated in the book-entry securities system, the shares are transferred by wire transfer from the seller's book-entry account to the buyer's book-entry account. For the purpose of the sale, allocation data is entered into the Infinity system of Euroclear Finland and, if necessary, a reservation regarding the book-entry security is entered into the book-entry account. The transaction is recorded as a pre-trade until it has been cleared and the shares have been paid, after which the buyer is automatically entered into the company's shareholders' register. Trades are normally cleared in Euroclear Finland's automated clearing and settlement system (Infinity system) on the second banking day after the trade date unless otherwise agreed by the parties. If the shares are nominee registered and the shares of both the seller and the buyer are held in the same custodial nominee account, the sale of shares does not cause any entries to the book-entry system unless the custodial nominee account holder changes or the shares are transferred from such custodial nominee account as a result of a sale.

Foreign Exchange Control

The shares of a Finnish company may be purchased by non-residents of Finland without any separate Finnish exchange control consent. Non-residents may also receive dividends without separate Finnish exchange control consent, but the company is generally required to withhold tax on the transfer of assets out of Finland unless an agreement for avoiding double taxation whose provisions prevent the withholding of tax applies. Non-residents who have acquired shares in a Finnish limited liability company may receive shares pursuant to a bonus issue or through participation in a rights issue without separate Finnish exchange control consent. The shares of a Finnish company may be sold in Finland by non-residents, and the proceeds of such sales may be transferred out of Finland in any convertible currency. There are no Finnish exchange control regulations restricting the sale of shares in a Finnish company by non-residents to other non-residents.

THE FINNISH SECURITIES MARKETS

The following is an overview of the Finnish securities market, including a brief summary of certain Finnish laws and regulations in effect as at the date of these Merger Prospectus, affecting Valmet as a company listed on Nasdaq Helsinki. The summary is not intended to provide a comprehensive description of all laws and regulations affecting Valmet and should not be considered exhaustive. Moreover, the laws, rules, regulations, and procedures summarized below may be amended or reinterpreted.

Trading in Securities and Clearing on Nasdaq Helsinki

Trading in and clearing of securities on Nasdaq Helsinki take place in euro. The minimum price increment in which prices are quoted (tick size) depends on the share price. Price information is produced and published in euro.

Nasdaq Helsinki uses the trading platform INET Nordic. INET Nordic is an order-based system in which orders are executed when price and volume information and other conditions match. INET Nordic continuously broadcasts trading information. The information is displayed in real time in the form of order books, concluded trades, index information, and different kinds of reports, for instance. Nasdaq Helsinki has three principal trading sessions: pre-open session, continuous trading, and post-trading session. The pre-open session for shares begins at 9:00 a.m. (all times in this section are stated in Finnish time) and ends at 9:45 a.m., during which orders may be placed, changed, or cancelled. The opening call begins at 9:45 a.m. and ends at 10:00 a.m. Continuous trading begins immediately after the opening call ends at 10:00 a.m., and trading based on market demand continues until 6:25 p.m., when the closing call is initiated. Orders entered during the pre-open session and existing orders with several days' validity are automatically transferred into the opening call. Post-trading, during which contract transactions for shares can be registered as after-hours trading in confirmed prices within the price limits based on the day's trading, takes place between 6:30 p.m. and 7:00 p.m.

Trades are normally cleared in Euroclear Finland's automated clearing and settlement system (Infinity system) on the second banking day after the trade date (T+2) unless otherwise agreed by the parties. Nasdaq Helsinki is a part of Nasdaq, Inc. ("**Nasdaq**"). Nasdaq offers trading across multiple asset classes, and its technology supports the operations of over 90 marketplaces in 50 countries. Nasdaq also owns and maintains the stock exchanges in Stockholm, Copenhagen, Reykjavik, Tallinn, Riga, and Vilnius. Each country has its own official list and country-specific listing requirements. Nasdaq's Nordic List (the "**Nordic List**") was launched in 2006 and consists of shares listed on the exchanges in Helsinki, Copenhagen, Stockholm, and Reykjavik. Through the Nordic List, the listing requirements for companies and the way of presenting the listed companies have been harmonized. On the Nordic List, companies are presented first by their market capitalization and then by their industry sector irrespective of the domicile of the issuer. The market capitalization classification is divided into three categories: large companies (Large Cap), mid-sized companies (Mid Cap), and small companies (Small Cap). Within each market capitalization segment, issuers are sorted by their industry sector according to the ICB Company Classification Standard. Issuers belonging to the same industry sector are placed in the same industry sector segment in alphabetical order.

Regulation of the Securities Market

The securities market in Finland is supervised by the FIN-FSA. The principal statute governing the Finnish securities market is the Finnish Securities Markets Act, which contains regulations with respect to, among other things, company and shareholder disclosure obligations, such as the flagging obligation, prospectuses, and public tender offers. Furthermore, the Market Abuse Regulation ((EU) No 596/2014, as amended, the "**MAR**") regulates insider dealing, the unlawful disclosure of inside information, market manipulation, and the public disclosure of inside information. MAR establishes a uniform regulatory framework for the market abuse regime in the EU. The FIN-FSA and Nasdaq Helsinki have also issued more detailed regulations and rules under the Finnish Securities Markets Act, such as the FIN-FSA's regulations and guidelines and Nasdaq Helsinki's Nordic Main Market Rulebook for Issuers of Shares. The FIN-FSA monitors compliance with the Finnish Securities Markets Act and regulations and orders issued under the Finnish Securities Markets Act.

The Finnish Securities Markets Act and the Prospectus Regulation specify the minimum disclosure requirements for Finnish companies applying to be listed on Nasdaq Helsinki or making a public offering of securities in Finland. An issuer of a security subject to public trading is obliged to provide financial information of the company regularly and, pursuant to MAR, obliged to disclose to the public as soon as possible any inside information which directly concerns the issuer. The issuer may delay the disclosure of inside information to the public if all of the conditions set out in MAR are met. Information disclosed must be sufficient to enable investors to make an informed assessment of the security and the issuer thereof.

The Finnish Criminal Code (39/1889, as amended) contains provisions relating to the misuse of inside information, the unlawful disclosure of inside information, market manipulation, and the breach of disclosure requirements. A breach of these provisions constitutes a criminal offense. Pursuant to MAR, the Finnish Securities Markets Act, and the Finnish Act on the Financial Supervisory Authority (878/2008, as amended), the FIN-FSA has the right to impose administrative sanctions to the extent the offense does not fall within the scope of the Finnish Criminal Code. The FIN-FSA may, for example, issue a public warning or impose an administrative fine or penalty payment for the breach of disclosure requirements or public tender offer, insider register, or market abuse provisions. The disciplinary board of Nasdaq Helsinki may give a warning or note or impose a disciplinary fine or order a company to be removed from the stock exchange list.

A shareholder of a Finnish listed company is required, without undue delay, to notify said company and the FIN-FSA when its voting interest in or its percentage ownership of the total number of shares in said company reaches, exceeds, or falls below 5 percent, 10 percent, 15 percent, 20 percent, 25 percent, 30 percent, 50 percent, 66.67 percent (2/3), or 90 percent, calculated in accordance with the Finnish Securities Markets Act, or when it has on the basis of a financial instrument the right to receive an amount of shares that reaches, exceeds, or falls below any such threshold. If a Finnish listed company receives information indicating that a voting interest or ownership interest has reached, exceeded, or fallen below any of these thresholds, it must, without undue delay, publish such information and disclose it to Nasdaq Helsinki and to the main media. If a shareholder violates its obligation to notify the relevant parties of a voting interest or ownership, the FIN-FSA may, based on a weighty reason, prohibit the shareholder from using its right to vote and be presented at the General Meeting for the shares to which the violation relates.

Pursuant to the Securities Markets Act, a shareholder whose proportion of voting rights in a listed company exceeds three tenths (3/10) or one half (1/2) of the total voting rights attached to the shares of the company, calculated in accordance with the Finnish Securities Markets Act, after the commencement of a public quotation of such shares must make a public tender offer for all the remaining shares and securities with an entitlement to its shares issued by the company for fair value. If the securities exceeding the thresholds referred to above have been acquired through a public tender offer on all shares and securities with an entitlement to the shares issued by the target company, no obligation to make a tender offer arises. If a company has two or more shareholders whose holdings of voting rights exceed the above-mentioned limit, only the shareholder with the most voting rights is required to make a tender offer. If the proportion of votes described above is exceeded solely due to measures taken by the target company or other shareholders, the shareholder will not be obligated to make a tender offer until they acquire or subscribe for more shares in the target company or otherwise increase their proportion of votes in the target company. If the above-mentioned limit is exceeded due to the shareholders acting in concert when making a voluntary tender offer, the obligation to make a tender offer is not triggered if the acting in concert is limited to such tender offer only. There is no obligation to make a tender offer if a shareholder or another party who is acting in concert with such shareholder gives up its voting rights in excess of the above-mentioned limit within one month after such limit is exceeded, provided that the shareholder publishes its intention and voting rights are not used during such time.

Under the Finnish Companies Act, a shareholder holding shares representing more than nine tenths of all the shares in a company and of the votes conferred by the shares has the right to redeem the shares of the other shareholders of the company at fair value. In addition, any minority shareholder that possesses shares that may be so redeemed by the majority shareholder in accordance with the Finnish Companies Act is entitled to require the majority shareholder to redeem its shares. The Finnish Companies Act includes detailed rules that apply to the calculation of the specified proportions of shares and votes of a majority shareholder.

Under the Finnish Securities Markets Act, a Finnish listed company must directly or indirectly belong to an independent body established in Finland that broadly represents the business sector and has, in order to promote compliance with good securities markets practice, issued a recommendation which relates to the actions of the management of the target company regarding a public takeover bid (the "**Helsinki Takeover Code**"). Pursuant to the Finnish Securities Markets Act, a listed company must provide an explanation for not being committed to complying with the Helsinki Takeover Code.

Net short positions relating to shares tradable on Nasdaq Helsinki must be disclosed to the FIN-FSA in accordance with Regulation (EU) No 236/2012 of the European Parliament and of the Council of March 14, 2012 on short selling and certain aspects of credit default swaps. The obligation to notify net short positions applies to all investors and market participants. A net short position in relation to the shares of a company that has shares admitted to trading on a regulated market must be disclosed where the position reaches, exceeds, or falls below the threshold of 0.2 percent of the target company's issued share capital. A new notification must be submitted for each 0.1 percent above the threshold. The FIN-FSA publishes the notified net short positions on its website if the net short position reaches, exceeds, or falls below 0.5 percent of the issued share capital of the target company.

Book-Entry Securities System

General

Any issuer established in the EU that issues or has issued transferable securities that are admitted to trading or traded on trading venues must arrange for such securities to be represented in book-entry form. The issuer has the right to choose the central securities depository where the securities are admitted to trading. The central securities depository maintains the book-entry system. In Finland, the central securities depository is Euroclear Finland, which provides national clearing and settlement as well as registration services for securities. Euroclear Finland maintains a centralized book-entry securities system for both equity and debt securities. The address of Euroclear Finland is Urho Kekkosen katu 5 C, FI-00100, Helsinki, Finland.

Euroclear Finland keeps, on behalf of the issuers, issuer-specific shareholders' registers of companies entered into the book-entry system. The account operators, consisting, for instance, of credit institutions, investment service firms, and other institutions licensed to act as clearing parties by the central securities depository, administer the book-entry accounts and are entitled to make entries in the book-entry accounts.

Registration procedure

In order to hold entries in the book-entry system, a shareholder or such holder's nominee must establish a book-entry account with an account operator or register its shares through a nominee registration process in order to effect share entries. Finnish shareholders are not allowed to hold their shares through nominee registration in Finland. Non-Finnish shareholders may deposit book-entries in a custodial nominee account, where the shares are registered in the name of a custodial account holder in the company's shareholders' register. A custodial nominee account must contain information on the custodial account holder instead of the beneficial owner and indicate that the account is a custodial nominee account. Book-entry securities owned by one or more beneficial owners may be registered in a custodial nominee account. In addition, shares owned by a foreigner, foreign entity, or foreign trust may be registered in a book-entry account opened in the name of such foreigner, foreign entity, or foreign trust, but the holding may be registered in the name of a nominee in the company's shareholders' register. For shareholders who have not transferred their shares into book-entries, a joint book-entry account is opened with the central securities depository, and the issuer is entered as the account holder. All transactions in securities registered with the book-entry securities system are executed as computerized book-entry transfers. The account operator confirms book-entry transfers by sending notifications of all transactions to the holder of the respective book-entry account. Account holders also receive an annual statement of their holdings at the end of each calendar year.

Each book-entry account is required to contain specified information with respect to the account holder and other holders of rights to the book-entries entered into the account and information on the account operator administering the book-entry account. In addition to this, the book-entry account must contain information with respect to the type and number of book-entry securities registered and the rights and restrictions pertaining to the account and to the book-entry securities registered in the account. A nominee account is identified as such on the entry. Euroclear Finland and the account operators are bound by strict confidentiality requirements, although certain information (for example the name and address of each account holder) contained in the register is public, except in the case of nominee registration. The FIN-FSA is entitled to receive certain information on nominee registrations upon request. However, a company must keep the shareholders' register accessible to everyone at the head office of the company or, if the company's shares are incorporated in the book-entry system, at the registered office of the central securities depository in Finland, except in the case of nominee registration.

Each account operator is strictly liable for errors and omissions in the registers it maintains and for any unauthorized disclosure of information. If an account holder has suffered a loss as a result of a faulty registration or an amendment to or deletion of rights in respect of registered securities, and the relevant account operator is unable to compensate for such loss due to insolvency that is not temporary, such account holder is entitled to compensation from the statutory registration fund of Euroclear Finland. The capital of the registration fund must be at least 0.0048 percent of the average of the total market value of the book-entries kept in the book-entry system during the last five calendar years and it must be at least EUR 20 million. The compensation to be paid to an injured party is equal to the amount of damages suffered from a single account operator subject to a maximum amount of EUR 25,000 per account operator. The liability of the registration fund to pay damages in relation to each individual incident is limited to EUR 10 million.

Custody of the shares and nominee registration

A non-Finnish shareholder may appoint an account operator (or certain other Finnish or non-Finnish organizations approved by the central securities depository) to act as a custodial nominee account holder on its behalf. A custodial nominee account holder is entitled to receive dividends on behalf of the shareholder. A holder of nominee-registered shares wishing to attend and vote at General Meetings must be notified for a temporary entry in the shareholders' register no later than the date set out in the notice to convene the meeting, which date must be subsequent to the Record Date of the relevant General Meeting. A holder of nominee-registered shares temporarily registered in the shareholders' register will be deemed to have registered for the meeting and no further registration is required provided that such holder of nominee-registered shares would be entitled, by virtue of such shares, to be registered in the shareholders' register of the company held by Euroclear Finland on the Record Date. When the holder of nominee-registered shares is known, a custodial nominee account holder is required, on request, to disclose to the FIN-FSA and the relevant company the identity of the holder of the shares registered in its name and the number of shares owned by such holder of nominee-registered shares. If the identity of the holder of nominee-registered shares is not known, the custodial nominee account holder is required to disclose the identity of the representative acting on behalf of the holder of nominee-registered shares and the number of shares held and to submit a written declaration to the effect that the holder of the nominee-registered is not a Finnish natural person or a legal entity.

Finnish depositories for both Euroclear Bank, S.A./N.V. – the operator of Euroclear Finland – and Clearstream have custodial accounts within the book-entry securities system, and, accordingly, non-Finnish shareholders may hold their shares listed on Nasdaq Helsinki in their accounts in Euroclear Bank, S.A./N.V. and in Clearstream.

Shareholders who wish to hold their shares in the book-entry securities system in their own name and who do not maintain a book-entry account in Finland are required to open a book-entry account through an authorized account operator in Finland and a convertible euro account at a bank.

Compensation Fund for Investors and Deposit Insurance Funds

The Finnish Act on Investment Services (747/2012, as amended) sets forth a compensation fund for investors. The act divides investors into professional and non-professional investors. The fund does not cover losses incurred by professional investors. The definition of professional investor includes business enterprises and public entities, which can be deemed to understand the securities markets and the associated risks. An investor may also provide notice in writing that, on the basis of their professional skills and experience in investing, they are a professional investor; however, natural persons are presumed to be non-professional investors.

Investment firms and credit institutions must belong to the compensation fund. The compensation fund secures the payment of clear and indisputable claims in cases where an investment company or credit institution has been declared bankrupt, undergoing corporate restructuring proceedings, or otherwise, for a reason other than temporary insolvency, not able to pay claims within a determined period of time. For valid claims, the compensation fund will pay 90 percent of the investor's claim against each investment company or credit institution, up to a maximum of EUR 20,000. The compensation fund does not provide compensation for losses attributable to decreases in stock value or bad investment decisions. Accordingly, investors continue to be liable for the consequences of their own investment decisions.

Pursuant to the Act on the Financial Stability Authority (1195/2014, as amended), depositary banks must belong to a deposit guarantee scheme, which is intended to safeguard payments of receivables in the depositary bank's account or receivables in the forwarding of payments that have not yet been entered into an account if the depositary bank becomes insolvent and the insolvency is not temporary. The customers of a depositary bank can be compensated by the deposit insurance fund up to a maximum of EUR 100,000. An investor's assets may be safeguarded either by the deposit insurance fund or the compensation fund. However, an investor's funds may not be safeguarded by both funds at the same time.

TAXATION

The following summary is based on the tax laws of Finland as in effect on the date of this Merger Prospectus. Any changes in tax laws, case law and tax practice or in statements of the tax authorities may affect taxation and they may also have a retroactive effect on tax consequences.

The following summary is not exhaustive and does not take into account or deal with the tax laws of any country other than Finland. Prospective investors are advised to consult their own professional tax advisors as to the Finnish or foreign tax consequences of the Merger and the purchase, ownership and disposition of the Merger Consideration Shares. The tax legislation of prospective investors' state of residence and the Combined Company's country of incorporation may have an impact on the income received from the Merger Consideration Shares and other Shares. Prospective investors who may be affected by the tax laws of other jurisdictions should consult their tax advisors with respect to the tax consequences applicable to their particular circumstances.

Finnish taxation

The following is a general description of the material Finnish income, transfer, and value added tax consequences that may be relevant with respect to this Merger. The following description of Finnish domestic tax legislation relating to the Merger, dividend distributions and capital gains arising from the sale of Merger Consideration Shares is applicable to natural persons and limited liability companies both resident and non-resident in Finland.

The following description does not address tax considerations applicable to the holders of the Merger Consideration Shares that may be subject to special tax rules, including, among others, different restructurings of corporations, controlled foreign corporations (CFC), non-business carrying entities, income tax-exempt entities, or general or limited partnerships. Furthermore, this description addresses neither Finnish inheritance nor gift tax consequences.

This description is based primarily on the following acts:

- The Finnish Income Tax Act (1535/1992, as amended);
- The Finnish Business Income Tax Act (360/1968, as amended);
- The Finnish Act on Taxation of Non-residents' income (627/1978, as amended);
- The Finnish Value Added Tax Act (1501/1993, as amended);
- The Finnish Transfer Tax Act (931/1996, as amended); and
- The Finnish Act on Assessment Procedure (1558/1995, as amended).

In addition, relevant case law as well as decisions and statements made by the tax authorities in effect and available on the date of this Merger Prospectus have been taken into account.

All of the foregoing is subject to change. The changes could affect the tax consequences described below and may also be applicable retroactively.

General

Residents and non-residents of Finland are treated differently for tax purposes. The worldwide income of persons resident in Finland is subject to taxation in Finland. Non-residents are taxed on Finnish source income only. In addition, any income received by a non-resident from a permanent establishment located in Finland is subject to taxation in Finland. Finnish tax treaties may limit the applicability of domestic tax legislation and also preclude the right to tax non-resident's Finnish source income.

Generally, an individual is deemed resident in Finland for tax purposes if such individual stays in Finland for more than six consecutive months or if the permanent home and dwelling of such individual is located in Finland. A Finnish citizen who has left Finland to live in a foreign country is deemed resident in Finland for tax purposes during the tax year of their relocation and three following years, unless they can demonstrate that no material ties between them and Finland have existed during relevant tax year.

Earned income, including salary, is taxed at progressive rates. Capital income is currently taxed at a rate of 30 percent. However, if capital income exceeds EUR 30,000 during a calendar year, the tax rate for the exceeding amount is 34 percent. Corporate entities established under the laws of Finland and foreign corporate entities having their place of effective management in Finland are regarded as tax residents in Finland and thus subject to corporate income tax on their worldwide income. Non-residents are liable to pay corporate income tax on the income of permanent establishments located in Finland. Currently, the corporate income tax rate is 20 percent.

The following is a summary of certain Finnish tax consequences relating to the acquisition, ownership, and disposal of the Merger Consideration Shares by Finnish resident and non-resident shareholders, as well as of general tax consequences of the Merger.

Tax implications of the Merger

Valmet and Neles

Under Section 52 a of the Finnish Business Income Tax Act, the provisions concerning mergers are applied to arrangements where a limited liability company (merging company) is dissolved without liquidation proceedings and merges into another limited liability company (recipient company). All of the merging company's assets and liabilities are transferred to the recipient company. Shareholders of the merging company receive as merger consideration new shares issued by the recipient company or treasury shares held by it in proportion to the shares owned in the merging company. Merger consideration may also be paid in cash, to the extent the amount does not exceed 10 percent of the amount of paid-in share capital corresponding to the shares given as consideration (or, where the shares have a nominal value, of the nominal value of the shares issued). Under Section 52 b of the Finnish Business Income Tax Act, a merger executed in accordance with these rules is considered tax neutral from the perspective of income tax legislation, and the merging company is not dissolved for tax purposes.

Based on a pre-emptive discussion, Valmet and Neles have received a binding written confirmation from the Large Taxpayers' Office regarding the tax treatment of the Merger. It has been confirmed in the written confirmation that provisions of Section 52 a and b of the Finnish Business Income Tax Act apply to the Merger. Thus, the Merger does not cause direct income tax consequences for Valmet or Neles. Neles' assets and liabilities will be transferred to Valmet at book value in accordance with the Finnish Accounting Act. Acquisition costs and other deductible costs deducted in Neles' taxation transferred in the Merger are deducted in Valmet's taxation as they would have been deducted in Neles' taxation (the continuity principle).

In accordance with the Finnish Income Tax Act, tax losses of a corporate entity or partnership shall not be deducted if more than half of its shares have changed hands during the year when the losses have occurred or thereafter. If a corresponding change in ownership has occurred in a corporate entity or partnership owning at least 20 percent of the shares in the loss-making corporate entity or partnership, the shares owned by the former entity will also be deemed to have changed hands. Once the entities have merged, the receiving entity will be entitled to deduct the losses of the merged entity from its taxable income if the receiving entity or its shareholders or members or the entity and its shareholders or members together have owned more than half of the shares in the merged entity since the beginning of the year in which the losses were generated.

Any losses that may be or may have been generated to Neles before or during the 2021 tax year or thereafter but before the completion date of the Merger will be forfeited in the Merger to the extent they have not been utilised, because Valmet or its shareholders have not owned more than 50 percent of shares in Neles since the beginning of the tax year during which losses were generated. Therefore, losses possibly confirmed in Neles' taxation in Finland will not be transferred to Valmet in connection with the Merger. The above only concerns potential tax losses in Neles. Any tax losses in Neles' subsidiaries may survive the Merger, depending on applicable local legislation. Any tax losses in Neles' Finnish subsidiaries would not be forfeited as a result of the Merger.

As a universal succession, a merger is not within the scope of application of the Finnish Value Added Tax Act, and thus the Merger does not cause any value added tax consequences.

A merger executed in accordance with the Finnish Companies Act does not cause transfer tax consequences to the recipient company to the extent merger consideration is paid in form of newly issued shares in the recipient company (including recipient company's own shares newly issued to the company itself). Based on case law, the tax exemption does not cover the obligation under the Finnish Companies Act to redeem shares from the shareholders who have opposed the merger and demanded redemption.

In addition to Neles and Valmet, the Merger may also have tax implications for their group companies. For more information, see "*Risk Factors – Risks Related to the Combined Company's Financial Position and Financing – The Combined Company's actual tax benefits or tax liabilities may be materially different from estimates or expectations and the Combined Company may be unable to fully utilize its deferred tax assets*".

Shareholder

A merger referred to in Section 52 a of the Finnish Business Income Tax Act, where the merger consideration is paid in proportion to the shares owned in the merging company in form of shares in the recipient company and a cash consideration which does not exceed 10 percent of the amount of paid-in share capital corresponding to the shares given as consideration (or, where the shares have a nominal value, of the nominal value of the shares issued), is not considered a transfer of shares for the shareholders of the merging company. Therefore, the merger will not cause any direct income tax consequences for shareholders of the company to the extent the shareholders only receive newly issued shares in the recipient company or recipient company's own shares as merger consideration. To the extent the shareholders receive cash as merger consideration, the merger will be considered as transfer of shares in the shareholders' taxation. The redemption of shares from the shareholders who have opposed the merger in accordance with Chapter 16 Section 13 of the Finnish Companies Act and payments made for fractions of shares are taxable as a transfer. According to Section 52 b of the Finnish Business Income Tax Act, the acquisition cost of the shares in the recipient company received as merger consideration by the shareholders of the merging company is considered to be the amount equivalent to the acquisition cost of the shares in the merging company. Finnish resident individuals may alternatively use, the below described presumptive acquisition cost of 20 or 40 percent in future disposals of the shares. The holding period for Neles' shares is carried over to the Merger Consideration Shares. Tax consequences concerning capital gains and loss arising from transfer of Merger Consideration Shares after the Merger has taken place have been described below in "– *Taxation of capital gains*". The Merger does not affect the taxation of possible dividend payments to shareholders. Taxation of dividends has been described below in "– *Taxation of dividends and equity returns*".

The receipt of new shares as Merger Consideration does not cause any transfer tax consequences for the shareholders of the merging company.

Taxation of dividends and equity returns

Distribution of funds from a reserve for unrestricted equity (Chapter 13 Section 1 Sub-section 1 of the Finnish Companies Act) by listed company as referred to in Section 33 a, Sub-section 2 of the Finnish Income Tax Act ("**Listed Company**") is taxed as distribution of dividends. Therefore, the following applies also to distribution of funds from a reserve for unrestricted equity.

Resident individuals

85 percent of dividends paid by Listed Company to an individual shareholder is considered capital income of the recipient, taxable at the rate of 30 percent (however, should overall capital income exceed EUR 30,000 during a calendar year, the tax rate for the exceeding amount is 34 percent), the remaining 15 percent being tax-exempt. If the shares form part of resident individual shareholder's business activities, 85 percent of dividends paid by Listed Company is considered business income which is taxed partly as earned income at progressive rates and partly as capital income at the rate of 30 percent (however, if the overall capital income exceeds EUR 30,000 during a calendar year, the tax rate for the exceeding amount is 34 percent), the remaining 15 percent being tax-exempt.

A Listed Company distributing dividends is obligated to withhold tax from dividends paid to resident individuals. Currently, the tax withheld is 25.5 percent of the paid dividend. The tax withheld by the distributing company is credited against the final tax payable by the individual shareholder for the dividend received. However, tax is withheld at a rate of 50 percent on dividends that are paid on nominee-registered shares held by a resident individual if the dividend paying company or registered custodian cannot identify the recipient of the dividend. Resident individuals must review their pre-completed tax form to confirm that the received dividend income during the tax year is correct and, if necessary, correct the amount of dividend income and the amount of prepaid income tax on the pre-completed tax form.

Dividends paid for shares kept on a share savings account constitute proceeds of the share savings account, which are regarded as taxable capital income when the proceeds are withdrawn from the share savings account. For more information on the taxation of the proceeds of share savings accounts, please see below "– *Taxation of capital gains*".

Finnish limited liability companies

Dividends received by a Listed Company from another resident Listed Company are generally tax-exempt. However, in case the shares are included in the investment assets of the shareholder (only financial, insurance, and pension institutes may have investment assets referred to in this context), 75 percent of the dividend is taxable income, the remaining 25 percent being tax-exempt.

Dividends received by a non-listed Finnish company from a Listed Company are generally taxable income with respect to 100 percent of the dividend. However, in cases where the non-listed company directly owns 10 percent or more of the share capital of the Listed Company distributing the dividend, the dividend received on such shares is tax-exempt provided that the shares are not included in investment assets of the shareholder. If the shares are included in investment assets of the shareholder, 75 percent of the dividend is taxable income, the remaining part of the dividend being tax-exempt.

Tax is withheld at a rate of 50 percent on dividends that are paid on nominee-registered shares held by a resident company if the dividend paying company or registered custodian cannot identify the recipient of the dividend.

Non-resident individuals

Dividends paid by a Finnish company to non-residents are subject to Finnish withholding tax. The company distributing the dividend is liable to withhold the withholding tax as a final tax at the time of dividend payment. The withholding tax rate for dividend received by non-resident individual shareholder is 30 percent whereas the withholding tax rate for dividends received by a non-resident company is 20 percent, unless otherwise set forth in an applicable double taxation treaty ("**Tax Treaty**"). Any Finnish withholding tax withheld in excess can be applied to be refunded by the Finnish Tax Administration provided that the non-resident shareholder can prove to be entitled to a lower withholding tax rate under the applicable tax treaty.

Finland has entered into Tax Treaties with many countries pursuant to which the withholding tax rate is reduced on dividends paid to persons entitled to the benefits under such treaties. For example, in the case of treaties with the following countries, Finnish withholding tax regarding dividends of portfolio shares is generally reduced to the following rates: Austria: 10 percent; Belgium: 15 percent; Canada: 15 percent; Denmark: 15 percent; France: zero percent; Germany: 15 percent; Ireland: zero percent; Italy: 15 percent; Japan: 15 percent; the Netherlands: 15 percent; Norway: 15 percent; Spain: 15 percent; Sweden: 15 percent; Switzerland: 10 percent; the United Kingdom: zero percent; and the United States: 15 percent. This list is not exhaustive. A further reduction in the withholding tax rate is usually available to corporate shareholders for dividend distributions on qualifying holdings (usually ownership of at least 10 or 25 percent of the share capital or voting rights of the distributing company). The benefit of reduced withholding rate in an applicable Tax Treaty is generally available if the person beneficially entitled to the dividend has provided the payer of the dividend a valid withholding tax card or the necessary details on the applicability of the Tax Treaty.

The withholding taxation rules concerning dividends paid to nominee registered shares were amended on January 1, 2021 when Finland implemented the OECD Treaty Relief and Compliance Enhancement ("**TRACE**") model. The new register for authorised intermediaries has replaced the previous register for foreign custodian intermediaries. Furthermore, the simplified procedure that was previously applied to shares held through a nominee account is no longer applicable to the withholding taxation of nominee-registered shares' dividends. Instead of applying the general withholding tax rate under the Finnish tax laws (20 percent or 30 percent) or a reduced withholding tax rate under a tax treaty, a 35 percent withholding tax will be withheld on nominee registered shares' dividends if the payer or the registered custodian does not have identifying information of the dividend beneficiary. Any Finnish withholding tax withheld in excess can be applied to be refunded by the Finnish Tax Administration provided that the non-resident shareholder can prove to be entitled to a lower withholding tax rate under the Finnish tax laws or applicable Tax Treaty.

Recent rulings of the European Court of Justice (Joined Cases C-116/16 and C-117/16 and Joined Cases C-115/16, C-118/16, C-119/16, C-299/16) regarding the concept of beneficial owner for EU law purposes may have implications on Finnish tax legislation going forward, which may result in, inter alia, additional criteria to obtain a lowered dividend withholding tax rate.

Generally, no withholding tax is levied on dividends paid to non-resident individuals for shares kept on a foreign share savings account, if it is sufficiently comparable to a Finnish share savings account. For the taxation of the proceeds of share savings accounts, please see below "*– Taxation of capital gains*".

Foreign companies residing in the EU Member States

No withholding tax is levied under Finnish tax laws on dividends paid to foreign corporate entities that reside, and are subject to corporate tax, in an EU member state as specified in Article 2 of the Council Directive 2011/96/EU on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States, as amended by the Council Directive 2013/13/EU and 2014/86/EU ("**Parent Subsidiary Directive**"), and that directly hold at least ten percent of the capital of the dividend distributing Finnish company.

Foreign companies residing in the European Economic Area

Dividends paid to certain foreign companies residing in the EEA are either tax-exempt in full or a lowered rate of withholding tax is applied to them depending on how the dividend would be taxed if paid to a corresponding Finnish corporate entity.

No withholding tax will be levied in Finland on dividends paid by a Finnish company to a non-resident entity, if (i) the entity receiving the dividend resides in the EEA; (ii) the Council Directive 2011/16/EU on administrative cooperation in the field of taxation and repealing Directive 77/799/EEC, as amended by the Council Directive (EU) 2015/2376 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation ("**Mutual Assistance Directive**"), or an agreement on mutual assistance and information exchange in tax matters applies to the home state of the recipient of the dividend; (iii) the company receiving dividend is equivalent to a Finnish entity defined in the Finnish Income Tax Act Section 33 d Subsection 4 or in Section 6 a of the Finnish Business Income Tax Act; (iv) the dividend would be tax-exempt in full if paid to a corresponding Finnish limited liability company (see above "–

Finnish limited liability companies"): and (v) the entity provides a report (a certificate from the home member state's tax authority) clarifying that in accordance with tax treaties applicable in the home state of the recipient of dividends, the withholding tax cannot be credited in full.

If dividend is paid to foreign company that fulfils the requirements presented above in section (iii) and resides in a country which fulfils the criteria set out in sections (i) and (ii), but the dividend would be only partly tax exempt if it was paid to a corresponding Finnish entity (see above "– *Finnish limited liability companies*"), a withholding tax will be withheld on the dividends (see above "– *Non-residents*"), but the withholding tax for such dividends will be lowered to 15 percent (instead of 20 percent). Thus, notwithstanding entities as defined in the Parent Subsidiary Directive, which fulfil the criteria for tax exemption by directly owning at least 10 percent of the capital of the Finnish company paying the dividends (see above "– *Foreign companies residing in the EU Member States*"), the withholding tax rate of 15 percent will be applied to dividends paid to a foreign entity, if the shares of the Finnish company paying dividends belong to investment assets of the company receiving the dividends. Depending on the applicable double taxation treaty, the applicable withholding tax can also be lower than 15 percent (see above "– *Non-residents*").

Foreign individuals residing in the European Economic Area

The dividends paid to a foreign non-resident individual can upon request by the individual in question be taxed, not in accordance with rules concerning withholding tax (see above "– *Non-residents*"), but instead in accordance with the Finnish Act on Assessment Procedure, and thus, as resident individuals in Finland are taxed (see above "– *Resident Individuals*"). This requires, however, that (i) the individual receiving the dividend resides in the EEA; (ii) the Mutual Assistance Directive or an agreement on mutual assistance and information exchange in tax matters applies to the home state of the dividend recipient; and (iii) the individual provides a report (a certificate from the home member state's tax authority) clarifying that in accordance with the double taxation treaties applicable in the home state of the recipient of dividends, the withholding tax cannot be credited in full.

Taxation of capital gains

Resident individuals

Capital gain or loss arising from the sale of shares or subscription rights (other than in the context of business activities) is taxable as capital gain, or as capital loss deductible from capital gains of resident individuals. Capital gains are currently taxed at a rate of 30 percent (however, should overall capital income exceed EUR 30,000 during a calendar year, the tax rate for the exceeding amount is 34 percent). If the disposition of shares is connected to business activities (business income source) of the seller, any gain arising from the sale is deemed to be the seller's business income, which will be divided according to the Finnish Income Tax Act to be taxed as earned income at a progressive tax rate and capital income at a rate of 30 percent (however, should the overall capital income exceed EUR 30,000 during a calendar year, the tax rate for the exceeding amount is 34 percent).

Any capital gain or loss is calculated by deducting from the sales price the original acquisition cost and expenses related to the sale. Alternatively, individuals may, instead of deducting the actual acquisition costs, choose to apply a so-called presumptive acquisition cost, which is equal to 20 percent of the sales price or, if the shares have been held for at least ten years, 40 percent of the sales price. If the presumptive acquisition cost is used instead of the actual acquisition cost, any expenses related to the sale are deemed to be included therein and, therefore, may not be separately deducted from the sales price.

A capital loss arising from the sale of securities, such as the Merger Consideration Shares, is deductible primarily from the resident individual's capital gains and secondarily from other capital income arising in the same year and during the following five calendar years. Capital losses will not be taken into account when calculating the capital income deficit for the calendar year in question. Thus, such capital losses do not affect the amount of the deficit credit deductible from earned income.

Notwithstanding the above, capital gains arising from the sale of assets, such as the Merger Consideration Shares, are exempt from tax, provided that proceeds of all assets sold by the resident individual during the calendar year do not, in the aggregate, exceed EUR 1,000 (not including proceeds of assets the sale of which is tax-exempt pursuant to Finnish tax laws). Correspondingly, capital losses are not tax deductible if the acquisition cost of all assets sold during the calendar year do not, in the aggregate, exceed EUR 1,000, and proceeds of all assets sold by the resident individual during the same calendar year do not, in the aggregate, exceed EUR 1,000.

The profit gained on the disposal of the assets kept on a share savings account is not taxable income. The proceeds of a share savings account are considered taxable capital income when the proceeds are withdrawn from the share savings account. The current capital income tax rate is 30 percent (however, should the overall capital income exceed EUR 30,000 during a calendar year, the tax rate for the exceeding amount is 34 percent).

The loss resulting from the disposal of the assets kept on a Finnish share savings account is not deductible. The losses of a share savings account are deductible from the taxable capital income only in the year during which the share savings account is closed. The losses of a share savings account are deducted from the net capital income after the capital losses and before other deductions from the capital income. To the extent that the losses have not been deducted from the taxable capital income in the tax year, it will be taken into account when calculating the capital income loss. The losses of a share savings account are not taken into account when calculating the capital income deficit, and hence, no deficit credit is granted. The capital income loss will be deducted from the capital income over the course of the subsequent 10 years as capital income is accumulated.

An individual resident in Finland has to enter information regarding the sale of securities, such as the Merger Consideration Shares, occurred during the relevant calendar year on the pre-completed tax form.

Finnish limited liability companies

The following applies only to Finnish limited liability companies taxed in accordance with the Finnish Business Income Tax Act. Generally, capital gain from shares is taxable income of a limited liability company with the general corporate tax rate of 20 percent. With effect from tax year 2020, the application of the Finnish Income Tax Act has been restricted significantly, and, as a rule, the Business Income Tax Act is applied in calculating the taxable income of most corporations (with certain exceptions, such as certain real estate companies, or calculating taxable agricultural income).

Shares may belong to company's fixed assets, current assets, investment assets (only financial, insurance, and pension institutes may have investment assets referred to in this context), financial assets or other assets. The taxation of a disposal and value decrease of shares may vary according to the asset type for which the shares qualify.

Any sales price from sale of securities is generally business income of a Finnish company. Correspondingly, the acquisition cost of the shares is deductible from business income upon disposal of the shares. However, a participation exemption for capital gains on share disposals is available for Finnish companies, provided that certain strict requirements are met. Apart from companies carrying out private equity business, capital gain arising from sale of shares that are part of fixed assets of the selling company is not considered taxable business income and, correspondingly, capital losses incurred on sale of such shares are not tax deductible, provided, among others, that (i) the selling company has continuously owned at least 10 percent of the share capital in the company whose shares are sold and such sold shares have been owned for at least one year, which period has ended no later than one year prior to the sale, (ii) the company whose shares have been sold is not a real estate or residential housing company or a limited liability company whose activities, on a factual basis, mainly consist of ownership or possession of property, and (iii) the company whose shares are sold is resident in Finland or a company meant in Article 2 of the Parent Subsidiary Directive or resident in a country with which Finland has entered into a double taxation treaty applicable to dividends. Furthermore, in order for the capital gain to be tax-exempt, an operational connection between the company selling the shares and the company whose shares are sold has been required in case law. Sales proceed is, however, taxable to the extent the difference on the sales proceed and non-tax depreciated acquisition cost relates to the tax depreciation made on the shares.

Tax deductible capital losses arising from sale of shares (other than shares sold under the participation exemption) that are part of fixed assets of the selling company can only be deducted from capital gains arising from sale of shares part of fixed assets during the same tax year and five subsequent tax years. Capital losses arising from sale of shares that belong to current assets, investment assets or financial assets are tax deductible from taxable income in the same fiscal year and the subsequent ten years in accordance with the general rules concerning losses carried forward. Should the capital loss result from sale of shares belonging to other assets, the capital loss can be deducted from capital gains accruing from sale of assets belonging to other assets the same tax year and five subsequent tax years. However, in accordance with a transitional provision, capital losses which have been calculated according to the Finnish Income Tax Act and have not been offset before tax year 2020, can be carried forward for five years following the tax year of the disposal of the asset, and will primarily be deductible from capital gains on disposals of other assets, and secondarily from capital gains on disposal of shares or real property belonging to fixed assets.

Non-residents

Non-residents are generally not liable to tax in Finland on capital gains realised on sale of shares in a Finnish company, unless the non-resident taxpayer is deemed to have a permanent establishment in Finland according to the Finnish Income Tax Act and the applicable Tax Treaty, and the shares are considered as assets of that permanent establishment, or more than 50 percent of the assets of the company whose shares are sold comprises one or multiple real properties located in Finland.

If a non-resident individual has a share savings account in Finland, the proceeds withdrawn from the share savings account may, however, be taxed in Finland as the non-resident's income, if there is no Tax Treaty in place preventing the taxation of the income. If there is no Tax Treaty in place preventing the levying of the withholding tax, the proceeds withdrawn from the share savings account will be subject to withholding tax at the rate of 30 percent.

The loss resulting from the closing of a share savings account cannot be deducted from a non-residents' income subject to withholding tax. The loss of a share savings account can, however, be deducted from the capital income generated in Finland which is subject to taxation under the Finnish Act on Assessment Procedure, if the non-resident has such income. However, the loss of a share savings account cannot be deducted from the capital income and will not be taken into account when calculating the capital income loss if a tax treaty prevents the taxation of the proceeds paid from a share savings account in Finland.

Transfer tax

Transfer tax is not payable in connection with the issuance or subscription of new shares.

Transfer tax is generally not payable on transfer of shares subject to public trading against fixed cash consideration. The transaction is not subject to transfer tax provided that an investment service company or a foreign investment service company or another investment service provider, as defined in the Finnish Act on Investment Services (747/2012, as amended), is brokering or serving as a party to the transaction or that the transferee has been approved as a trading party in the market where the transfer is executed. If the transferee's broker or other party to the transfer is not a Finnish investment service company, Finnish credit institution, or Finnish branch or office of a foreign investment service firm or credit institution, the transfer will be tax-exempt provided that the transferee liable to tax notifies the Finnish tax authorities of the transfer within two months thereof or that the broker submits an annual declaration concerning the transfer to the Finnish Tax Administration as set forth in the Finnish Act on Assessment Procedure. The tax exemption does not apply to transfers executed as capital investments or distribution of funds or to transfers in which consideration comprises in full or in part work contribution, or to certain other transfers set out in the Finnish Transfer Tax Act. Accordingly, in case law it has been considered that if an incentive scheme remuneration of key persons is paid in money and the recipient of the remuneration is obliged to purchase shares of the Listed Company with a part of the remuneration, consideration of the share purchase comprises in full or in part of work contribution and is thus subject to transfer tax.

The buyer is liable to pay transfer tax amounting to 1.6 percent of the transaction price in share transfers that do not fulfil the above criteria (2.0 percent on transfers of shares in a company qualified as a real estate company under the Transfer Tax Act). If the buyer in that case is not resident in Finland for tax purposes or a Finnish branch of a foreign credit institution, investment service firm, fund management company or EEA alternative investment fund manager, the seller must charge the tax to the buyer. If the broker is a Finnish stockbroker or credit institution or the Finnish branch or office of a foreign stockbroker or credit institution, it is liable to withhold the transfer tax to the buyer and execute the payment on behalf of the buyer. If neither party to the transaction is resident in Finland or the Finnish branch of a foreign credit institution, investment service firm, fund management company or EEA alternative investment fund manager, no transfer tax is payable on the transfer of shares (excluding transfers of shares in real estate company, as defined in the Finnish Transfer Tax Act). No transfer tax is payable if the amount of transfer tax is less than EUR 10.

DOCUMENTS ON DISPLAY

Copies of the following documents may be inspected during the validity period of this Merger Prospectus within standard business hours at the registered office of Valmet at Keilasatama 5, FI-02150 Espoo, Finland and at the registered office of Neles at Vanha Porvoontie 229, FI-01380 Vantaa, Finland, and they are available on Valmet's website at www.valmet.com/merger and www.valmet.com/investors:

- This Merger Prospectus;
- the Merger Plan, including appendices;
- the Articles of Association of Valmet as in force on the date of this Merger Prospectus;
- the Articles of Association of Neles as in force on the date of this Merger Prospectus;
- Independent auditor's assurance report on the compilation of pro forma financial information included in this Merger Prospectus to the Board of Directors of Valmet; and
- documents incorporated by reference into this Merger Prospectus.

DOCUMENTS INCORPORATED BY REFERENCE INTO THIS MERGER PROSPECTUS

The following documents have been incorporated by reference into this Merger Prospectus in accordance with Article 19 of the Prospectus Regulation, and they form a part of the financial information of Valmet and Neles. Should any of the documents incorporated by reference into this Merger Prospectus themselves refer to or incorporate by reference any further information, such information is not incorporated by reference into and does not form a part of this Merger Prospectus. Should any of the documents incorporated by reference into this Merger Prospectus themselves include sections that have not been incorporated into this Merger Prospectus, such sections are either irrelevant to investors or can be found elsewhere in this Merger Prospectus. The documents that have been incorporated by reference into this Merger Prospectus are available for review during the validity period of this Merger Prospectus at Valmet's website www.valmet.com/investors and also at the registered office of Valmet at Keilasatama 5, FI-02150 Espoo, Finland within standard business hours, and the documents incorporated by reference concerning Neles are available for review at Neles' website www.neles.com/merger as well as at the registered office of Neles at Vanha Porvoontie 229, FI-01380 Vantaa, Finland within standard business hours.

Valmet

- Valmet's unaudited consolidated Half Year Financial Review for the six months ended June 30, 2021, which is available at https://www.valmet.com/globalassets/investors/reports--presentations/interim-reviews/2021/valmet-half-year-financial-review-2021.pdf; and
- The report of the Board of Directors, audited consolidated financial statements, audited parent company financial statements and independent auditor's report as at and for the year ended December 31, 2020 (included on pages 2 to 105 of Valmet's "Financial Statements 2020 and information for investors" document prepared for the year ended December 31, 2020, which is available at https://www.valmet.com/globalassets/investors/reports--presentations/annual-reports/2020/valmet-financial-statements-2020-en.pdf).

Neles

- Neles' unaudited consolidated half-year review as at and for the six months ended June 30, 2021, which is available at https://www.neles.com/siteassets/documents/2021/neles-half-year-review-2021.pdf; and
- The Board of Directors' report, audited consolidated financial statements, audited parent company financial statements and independent auditor's report as at and for the year ended December 31, 2020 (included on pages 21 to 104 of Neles' Annual Report prepared for the year ended December 31, 2020; Annual Report is available at https://www.neles.com/siteassets/documents/2020/annual-report/neles-annual-report-2020.pdf).

ANNEX A – THE ARTICLES OF ASSOCIATION OF VALMET OYJ

VALMET OYJ ARTICLES OF ASSOCIATION (*unofficial English translation*)

1 § Trade name and domicile

The company's trade name is Valmet Oyj in Finnish, Valmet Abp in Swedish and Valmet Corporation in English. The company's domicile is Helsinki.

2 § Field of business

The company's field of business is, either directly or through its subsidiaries or affiliated companies, to engage globally in designing, developing, manufacturing, building and trading machines, instruments, equipment, production plants and spare parts in the field of technology industry, mainly pulp, paper and power industries, producing and selling services related to this field of business and other industrial and commercial activities related to this field of business.

As the parent company, the company may also attend to the group's organization, financing, purchases and other similar joint tasks as well as own real estate, shares and interests, carry out securities trading and other investment operations.

3 § Book-entry system

The company's shares belong to the book-entry securities system.

4 § Board of Directors and President

The company has a Board of Directors, a President and, if necessary, one or more Executive Vice Presidents.

The Board of Directors comprises no less than five (5) and no more than eight (8) members. The term of office of each member of the Board of Directors expires at the closing of the first Annual General Meeting of shareholders following the election. The General Meeting of shareholders elects the chairman, the vice chairman and other members of the Board of Directors.

The Board of Directors elects the company's President and, if necessary, one or more Executive Vice Presidents.

The Board of Directors meets when a meeting is convened by the chairman and, if he/she is unavailable, the vice chairman. The Board of Directors constitutes a quorum when more than one-half of its members are present and one of them is the chairman or the vice chairman.

The resolution of the Board of Directors shall be the opinion which is supported by more than one-half of the members present or, in case of a tie vote, the opinion with which the chairman of the meeting concurs.

5 § Representation right

The right to represent the company shall be vested with the chairman of the Board of Directors, a member of the Board of Directors and the President, two of them acting jointly, as well as the persons authorized by the Board of Directors to represent the company, two of them acting jointly, or each such person acting together with the chairman of the Board of Directors, a member of the Board of Directors or the President.

6 § Accounting period

The company's accounting period is a calendar year. The company's first accounting period ends on December 31, 2013.

7 § Auditor

The company has one (1) auditor, which must be an auditing firm certified by the Finland Chamber of Commerce.

The term of office of the auditors expire at the closing of the Annual General Meeting of shareholders following the election.

8 § Notice convening a meeting

The notice convening a General Meeting of shareholders must be delivered to the shareholders by publishing the notice on the company's website or in one or more widely circulated daily newspapers designated by the Board of Directors or otherwise in a verifiable manner no more than three (3) months and no less than three (3) weeks prior to the General

Meeting of shareholders, however, in any case, at least nine (9) days prior to the record date of the General Meeting of shareholders referred to in Chapter 4, Section 2, Subsection 2 of the Finnish Companies Act.

In order to participate in the General Meeting of shareholders, a shareholder must register with the company at the latest on the date referred to in the notice convening the meeting, which may be at the earliest ten (10) days prior to the General Meeting of shareholders.

9 § Annual General Meeting of shareholders

The Annual General Meeting of shareholders shall be held each year within six (6) months from the end of the company's accounting period.

At the meeting:

the following are presented

1. the financial statements, which include the consolidated financial statements, and the report of the Board of Directors;
2. the auditor's report;

the following are resolved upon

3. the adoption of the financial statements;
4. the use of profits shown in the balance sheet;
5. the discharge of members of the Board of Directors and the President from liability;
6. the remuneration of the members of the Board of Directors and the auditor;
7. the number of the members of Board of Directors;

the following are elected

8. the chairman, vice chairman and members of the Board of Directors, and
9. the auditor.

If a vote is held at the company's General Meetings of shareholders, the chairman of the General Meeting of shareholders shall determine the voting procedure.

ANNEX B – THE ARTICLES OF ASSOCIATION OF NELES CORPORATION

NELES CORPORATION ARTICLES OF ASSOCIATION (English translation)

§ 1 Company name and domicile

Company's name is Neles Oyj in Finnish, Neles Abp in Swedish, and Neles Corporation in English. The Company's domicile is Vantaa Finland.

§ 2 Line of business

The Company's line of business is, either directly or through its subsidiaries or associated companies, to globally design, develop, sell, and manufacture industrial products and systems and related spare parts as well as maintenance and diagnostic services, among others, relating to flow control.

As a parent company, the Company may also manage the Corporation's organisation, financing, procurement, and other similar common activities and also own real property, shares and shareholdings, trade in securities, and engage in other investment business.

§ 3 Book-Entry System

The Company's shares are in the book-entry system.

§ 4 Board of Directors and President and CEO

The Company shall have a Board of Directors and a President and CEO and, as necessary, one or more deputy CEOs.

The Board of Directors shall have a minimum of five (5) and a maximum of eight (8) members. The Board members' term of office shall expire at the adjournment of the first Annual General Meeting following the election.

The Annual General Meeting shall elect the Chairman, the Deputy Chairman, and the other members to the Board of Directors.

The Board of Directors shall elect the Company's President and CEO and, as necessary, one or more deputy CEOs.

Meetings of the Board of Directors shall be convened by the Chairman and, if prevented, by the Vice Chairman. The Board of Directors shall constitute a quorum when more than a half of its members are present and one of them is the Chairman or the Vice Chairman.

The Board's decision shall be the opinion supported by more than a half of those present or, if the vote results is a tie, the opinion supported by the Chairman of the meeting.

§ 5 Right of representation

The Chairman of the Board of Directors, a member of the Board of Directors and the President and CEO, two together, and those persons, two together, to whom the Board of Directors has granted the right of representation, or each one of them together with the Board of Directors' Chairman, with a Board member, or with the President and CEO shall have the right to represent the Company.

§ 6 Accounting period

The Company's accounting period is the calendar year.

§ 7 Auditor

The Company shall have one (1) auditor, which shall be an auditing corporation approved by the Finland Chamber of Commerce.

The auditors' term of office shall expire at the adjournment of the Annual General Meeting following the election.

§ 8 Place of the shareholders' meeting and advance notice

The Company's shareholders' meetings may be held in Helsinki, Espoo or Vantaa.

Notice of a shareholders' meeting shall be given to the shareholders by publishing a notice on the Company's Internet site or in one or several widely circulated newspaper/s named by the Board of Directors or otherwise verifiably no earlier than three (3) months and no later than three (3) weeks before the shareholders' meeting, but, in any case, at least nine (9) days before the record date of the shareholders' meeting, referred to in Chapter 5, Section 6a of the Companies Act.

To attend a shareholders' meeting, a shareholder shall register with the Company no later than on the day stated in the notice to the meeting which may not be earlier than ten (10) days before the shareholders' meeting.

§ 9 Annual General Meeting

The Annual General Meeting shall be held each year by the end of June.

At the meeting, the following shall be

presented:

1. the Financial Statements, including the Consolidated Financial Statements, and the Board of Directors' Report;
2. the Auditor's Report;

decided:

3. the adoption of the Financial Statements;
4. any measures for the use of the profit disclosed in the Balance Sheet;
5. discharging the members of the Board of Directors and the President and CEO from liability;
6. remuneration to the members of the Board of Directors and to the auditors;
7. number of the members of the Board of Directors;

elected:

8. the Chairman, the Vice Chairman, and the members to the Board of Directors; and
9. auditor.

If a voting is to take place in shareholders' meetings, the Chairman of the shareholders' meeting shall determine the method of voting.

ANNEX C – INDEPENDENT AUDITOR'S ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION INCLUDED IN A MERGER PROSPECTUS

To the Board of Directors of Valmet Oyj

Independent auditor's assurance report on the compilation of pro forma financial information included in a Merger Prospectus (translation of the Finnish original)

We have completed our assurance engagement to report on the compilation of pro forma financial information of Valmet Oyj, which has been compiled by the Board of Directors of Valmet Oyj. The pro forma financial information comprises pro forma statement of financial position as at 30 June 2021, pro forma statements of income for the six months ended 30 June 2021 and for the year ended 31 December 2020 and related notes set out in the section "Unaudited Pro Forma Financial Information" of the Merger Prospectus issued by Valmet Oyj and dated on 2 September 2021. The applicable basis used by the Board of Directors of Valmet Oyj in compiling the pro forma financial information is specified in Annex 20 of Commission Delegated Regulation (EU) 2019/980 and described in the section "Unaudited Pro Forma Financial Information" of the Merger Prospectus.

The pro forma financial information has been compiled by the Board of Directors of Valmet Oyj to illustrate the impact of the Merger of Valmet and Neles set out in the section "Unaudited Pro Forma Financial Information" of the Merger Prospectus on Valmet's financial position as at 30 June 2021 and its financial performance for the six months ended 30 June 2021 and for the year ended 31 December 2020, as if the Merger had taken place at 30 June 2021 for the pro forma statement of financial position and at 1 January 2020 for the pro forma statements of income. As part of this process, information about the company's financial position and financial performance has been extracted by the Board of Directors of Valmet Oyj from the company's financial statements for the year ended 31 December 2020, on which an audit report has been published and the company's half year financial review as at and for the six months ended 30 June 2021, on which no review report has been published.

The Board of Directors' responsibility for the pro forma financial information

The Board of Directors of Valmet Oyj is responsible for compiling the pro forma financial information in accordance with the Commission Delegated Regulation (EU) 2019/980.

The Practitioner's Independence and Quality Control

We are independent from the company according to the ethical requirements in Finland and we have complied with other ethical requirements, which apply to the engagement conducted.

The practitioner applies International Standard on Quality Control 1 (ISQC 1) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The practitioner's responsibilities

Our responsibility is to express an opinion, as required by section 3 of Annex 20 of Commission Delegated Regulation (EU) 2019/980, as to whether the pro forma financial information has been compiled, in all material respects, by the Board of Directors of Valmet Oyj on the basis stated and whether that basis is consistent with the accounting policies applied by the issuer.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE 3420) Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus, issued by the International Auditing and Assurance Standards Board. This standard requires that the practitioner plan and perform procedures to obtain reasonable assurance as to whether the pro forma financial information has been compiled by the Board of Directors of Valmet Oyj, in all material respects, in accordance with Commission Delegated Regulation (EU) 2019/980.

For the purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course

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of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of the pro forma financial information included in a Merger Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the company as if the event had occurred or the transaction had been undertaken at an earlier date selected for the purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been compiled, in all material respects, on the basis stated and that basis is consistent with the accounting policies of the issuer involves performing procedures to assess whether the basis used by the Board of Directors of Valmet Oyj in the compilation of the pro forma financial information provides a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the basis stated has been consistently applied in the pro forma adjustments; and
- the resulting pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the practitioner's judgment, having regard to the practitioner's understanding of the nature of the company, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion,

- the pro forma financial information has been properly compiled on the basis stated in the section "Unaudited Pro Forma Financial Information" of the Merger Prospectus and
- the basis stated is consistent with the accounting policies applied by Valmet Oyj.

Restriction to the distribution and the use of the report

This report has been issued solely for the purposes of including in the Merger Prospectus prepared in accordance with Prospectus Regulation (EU) 2017/1129 (as amended) and Commission Delegated Regulation (EU) 2019/980.

Helsinki 2 September 2021

PricewaterhouseCoopers Oy
Authorised Public Accountants

Pasi Karppinen
Authorised Public Accountant (KHT)

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MERGER PLAN

The Board of Directors of Neles Corporation ("**Neles**" or the "**Merging Company**") and the Board of Directors of Valmet Oyj ("**Valmet**" or the "**Receiving Company**") propose to the Extraordinary General Meetings of the respective companies that the General Meetings would resolve upon the merger of Neles into Valmet through an absorption merger, so that all assets and liabilities of Neles shall be transferred without a liquidation procedure to Valmet, as set forth in this merger plan (the "**Merger Plan**", including appendices) (the "**Merger**").

As merger consideration, the shareholders of Neles shall receive new shares of Valmet, in proportion to their existing shareholdings, with aggregated fractional entitlements to new shares of Valmet being sold in public trading on Nasdaq Helsinki Ltd (the "**Helsinki Stock Exchange**") for the benefit of the shareholders entitled to such fractions. Neles shall automatically dissolve as a result of the Merger.

The Merger shall be carried out in accordance with the provisions of Chapter 16 of the Finnish Companies Act (624/2006, as amended) (the "**Companies Act**") and Section 52 a of the Finnish Business Income Tax Act (360/1968, as amended).

1 Companies Participating in the Merger

1.1 Merging Company

Corporate name:	Neles Corporation
Business ID:	1538032-5
Address:	Vanha Porvoontie 229, 01380 Vantaa
Domicile:	Vantaa

Neles is a public limited liability company, the shares of which are publicly traded on the official list of the Helsinki Stock Exchange.

1.2 Receiving Company

Corporate name:	Valmet Oyj
Business ID:	2553019-8
Address:	Keilasatama 5, 02150 Espoo
Domicile:	Helsinki

Valmet is a public limited liability company, the shares of which are publicly traded on the official list of the Helsinki Stock Exchange.

Neles and Valmet are hereinafter jointly referred to as the "**Parties**" or the "**Companies Participating in the Merger**" and, each individually, a "**Party**" or a "**Company Participating in the Merger**".

2 Reasons for the Merger

The Companies Participating in the Merger have on July 2, 2021 entered into a business combination agreement concerning the combination of the business operations of the Companies Participating in the Merger through a statutory absorption merger of Neles into Valmet in accordance with the Companies Act and this Merger Plan (the "**Combination Agreement**").

The purpose of the Merger is to create a leading company with a unique, competitive and balanced total offering for process industries globally, with strong positions in its respective segments including paper, board, pulp and energy technologies, flow control, automation systems and services.

The combined company's business is expected to benefit from diversified product platforms, end markets and customers with relevant scale in key markets and an ideal positioning to benefit from the strong sustainability focus in the combined company's end markets through megatrends such as energy transition and increasing demand for renewables.

Furthermore, the Merger is expected to create opportunities to exceed market growth, increase profitability and maintain a strong financial profile with end-markets diversification across process industries and large recurring and stable automation and services business providing resilience to business cycles. Furthermore, the Merger is expected to enhance the combined company's positioning and offering through the strong industrial benefits of the combination of flow control and automation systems and create a platform for further growth in the automation and flow control business. The Merger is expected to contribute to shareholder value through, among others, synergies expected from the combination. The combined company is expected to benefit from Valmet's track record and know-how in developing integrated businesses as evidenced from its growth path of automation.

3 Amendments to the Receiving Company's Articles of Association

Articles 2, 6, 7, 8 and 9 of the Articles of Association of the Receiving Company are proposed to be amended in connection with the registration of, and conditional upon, the execution of the Merger to read as follows:

2 § Field of business

The company's field of business is, either directly or through its subsidiaries or affiliated companies, to engage globally in designing, developing, manufacturing, building and trading machines, instruments, equipment, production plants, industrial products and systems, and spare parts in the field of technology industry, mainly pulp, paper and power industries and flow control, producing and selling services related to this field of business, such as maintenance and diagnostic services, and other industrial or commercial activities related to this field of business.

As the parent company, the company may also attend to the group's organization, financing, purchases and other similar joint tasks as well as own real estate, shares and interests, carry out securities trading and other investment operations.

6 § Accounting period

The company's accounting period is a calendar year.

7 § Auditor

The company has one (1) auditor, which must be an audit firm approved by the Patent and Registration Office with an authorized public accountant as the auditor in charge.

The term of office of the auditor expires at the closing of the Annual General Meeting of shareholders following the election.

8 § Notice convening a General Meeting of shareholders and the place of General Meetings of shareholders

The notice convening a General Meeting of shareholders must be delivered to the shareholders by publishing the notice on the company's website or in one or more widely circulated daily newspapers designated by the Board of Directors or otherwise in a verifiable manner no more than three (3) months and no less than three (3) weeks prior to the General Meeting of shareholders, however, in any case, at least nine (9) days prior to the record date of the General Meeting of shareholders referred to in the Finnish Companies Act.

In order to participate in the General Meeting of shareholders, a shareholder must register with the company at the latest on the date referred to in the notice convening the meeting, which may be at the earliest ten (10) days prior to the General Meeting of shareholders.

General Meetings of shareholders may be held in Helsinki, Espoo or Vantaa.

9 § Annual General Meeting of shareholders

At the Annual General Meeting, the following are

presented:

1. the financial statements of the company, which also include the consolidated financial statements of the group, and the report of the Board of Directors;
2. the auditor's reports concerning the company and the group;

resolved:

3. adoption of the financial statements of the company, which also include the approval of the consolidated financial statements of the group;
4. the use of the profit shown on the balance sheet;
5. releasing the members of the Board of Directors and the President from liability;
6. the number of members of the Board of Directors;
7. the remuneration of the chairman, vice chairman and other members of the Board of Directors as well as the auditor;
8. the adoption of the remuneration policy, when necessary;
9. the adoption of the remuneration report;
10. any other matters submitted to the General Meeting by the Board of Directors, auditor or shareholders sufficiently in advance so that the matter can be included in the notice convening the meeting;
11. any other matters specified in the notice convening the meeting;

elected:

12. the chairman, vice chairman and other necessary members of the Board of Directors; and
13. the auditor.

If a vote is held at the company's Annual or Extraordinary General Meeting of shareholders, the chairman of the General Meeting of shareholders shall determine the voting procedure.

The proposed Articles of Association of the Receiving Company, including the above amendments, are attached to this Merger Plan in its entirety as **Appendix 1.**

4 Administrative Bodies of the Receiving Company

4.1 Board of Directors and Auditor of the Receiving Company and Their Remuneration

According to the proposed Articles of Association of the Receiving Company, the Receiving Company shall have a Board of Directors consisting of a minimum of five (5) and a maximum of eight (8) members. The number of the members of the Board of Directors of the Receiving Company shall be conditionally confirmed and the members of the Board of Directors shall be conditionally elected by the Extraordinary General Meeting of the Receiving Company resolving on the Merger (the "**Valmet EGM**"). Both decisions shall be conditional upon the execution of the Merger. The term of such members of the Board of Directors shall commence on the date of registration of the execution of the Merger (the "**Effective Date**") and shall expire at the end of the first annual general meeting of the Receiving Company following the Effective Date.

The Board of Directors of the Receiving Company shall propose a resolution to the Valmet EGM, according to which the number of the members of the Board of Directors of the Receiving Company shall be eight (8) and according to which Mikael Mäkinen, current Chairman of the Board of the Receiving Company, would be conditionally elected to continue as Chairman of the Board of Directors of the Receiving Company, Jaakko Eskola, current Chairman of the Board of the Merging Company, would be conditionally elected as new Vice Chairman of the Board of Directors of the Receiving Company, Aaro Cantell, Pekka Kemppainen, Monika Maurer, Eriikka Söderström and Per Lindberg, each a current member of the Board of Directors of the Receiving Company, would be conditionally elected to continue to serve on the Board of Directors of the Receiving Company, and that Anu Hämäläinen, a current member of the Board of Directors of the Merging Company, would be conditionally elected as new member of the Board of Directors of the Receiving Company for the term commencing on the Effective Date and expiring at the end of the first annual general meeting of the Receiving Company following the Effective Date.

The Board of Directors of the Receiving Company shall also propose to the Valmet EGM a resolution on the remuneration of the Chairman, Vice Chairman and other members of the Board of Directors of the Receiving Company, including remuneration of the members of the Audit Committee and the Remuneration and HR Committee of the Receiving Company, for the term commencing on the Effective Date and expiring at the end of the first annual general meeting of the Receiving Company following the Effective Date. The annual remuneration of the new members to be elected shall be paid in proportion to the length of their term of office. Otherwise the resolutions on Board remuneration made by the Annual General Meeting of the Receiving Company held on March 23, 2021 or a subsequent Annual General Meeting of the Receiving Company held before the Effective Date shall remain in force unaffected and, for the avoidance of doubt, full annual remuneration until the next annual general meeting of the Receiving Company shall be paid to those members who have not been conditionally elected to continue to serve on the Board of Directors of the Receiving Company.

The term of the current members of the Board of Directors of the Receiving Company not conditionally elected to continue to serve on the Board of Directors of the Receiving Company for the term commencing on the Effective Date shall end on the Effective Date.

The term of the members of the Board of Directors and the President and CEO of the Merging Company shall end on the Effective Date upon the dissolution of the Merging Company. The members of the Board of Directors and the President and CEO of the Merging Company shall be paid a reasonable remuneration for the preparation of the final accounts of the Merging Company.

The auditor of the Receiving Company will continue in its position and the Merger will not impact the resolution by the Annual General Meeting of the Receiving Company held on March 23, 2021 or a subsequent Annual General Meeting of the Receiving Company held before the Effective Date in respect of the auditor's remuneration.

The Board of Directors of the Receiving Company, after consultation with the Board of Directors of the Merging Company, may amend the above-mentioned proposal concerning the election of members of the Board of Directors of the Receiving Company, in case one or more of the above-mentioned persons would not be available for election at the Valmet EGM.

The Board of Directors of the Receiving Company, after consultation with the Board of Directors of the Merging Company, shall have a right to convene a General Meeting of Shareholders after the Valmet EGM to (i) resolve to supplement or amend the composition or remuneration of the Board of Directors of the Receiving Company in case a person conditionally elected as a member of the Board of Directors by the Valmet EGM would have to be replaced by another person due to resignation, incapacity or any other reason by virtue of which the conditionally elected person would be unable to act as a member of the Board of Directors of the Receiving Company, or in case the remuneration of the Board of Directors of the Receiving Company would need to be amended for some other reason; and/or (ii) replace the auditor of the Receiving Company, prior to the Effective Date in case the Receiving Company's current auditor would have to be replaced.

The Parties have agreed that the Shareholders' Nomination Board of the Receiving Company as from the Effective Date shall have five (5) members, of which one (1) shall be nominated by each of the four (4) largest shareholders and the fifth being the Chairman of the Board of Directors of the Receiving Company.

The Board of Directors of the Receiving Company shall propose to the Valmet EGM a temporary deviation from the Charter of the Receiving Company's Shareholders' Nomination Board to the effect that the composition of the Shareholders' Nomination Board will be amended after the Effective Date and the right to nominate representatives to the Shareholders' Nomination Board following the Effective Date shall be vested with the shareholders having the largest share of the votes represented by all the shares in the Receiving Company on the first business day following the Effective Date, provided that the Effective Date occurs no less than four (4) months prior to the planned date of the next Annual General Meeting of the Receiving Company.

4.2 President and CEO of the Receiving Company

Pasi Laine shall as from the Effective Date act as the President and CEO of the Receiving Company. In the event that Pasi Laine resigns or otherwise must be replaced by another person prior to the Effective Date, the Boards of Directors of the Receiving Company and the Merging Company shall mutually agree on the appointment of a new President and CEO.

5 Merger consideration and grounds for its determination

5.1 Merger Consideration

The shareholders of the Merging Company shall receive as merger consideration 0.3277 new shares of the Receiving Company for each share owned in the Merging Company (the "**Merger Consideration**"), that is, the Merger Consideration shall be issued to the shareholders of the Merging Company in proportion to their existing shareholding with a ratio of 0.3277 : 1. There is only one share class in the Receiving Company, and the shares of the Receiving Company do not have a nominal value. In accordance with Chapter 16, Section 16, Subsection 3 of the Companies Act, shares in the Merging Company held by the Merging Company or the Receiving Company do not carry a right to the Merger Consideration.

In case the number of shares received by a shareholder of the Merging Company (per each individual book-entry account) as Merger Consideration is a fractional number, the fractions shall be rounded down to the nearest whole number. Fractional entitlements to new shares of the Receiving Company shall be aggregated and sold in public trading on the Helsinki Stock Exchange and the proceeds shall be distributed to shareholders of the Merging Company entitled to receive such fractional entitlements in proportion to their holding of such fractional entitlements. Any costs related to the sale and distribution of fractional entitlements shall be borne by the Receiving Company.

The allocation of the Merger Consideration shall be based on the shareholding in the Merging Company at the end of the last trading day preceding the Effective Date. The final total number of shares in the Receiving Company issued as Merger Consideration shall be determined on the basis of the number of shares in the Merging Company held by shareholders, other than the Receiving Company or the Merging Company itself, at the end of the day preceding the Effective Date. Such total number of shares issued shall be rounded down to the nearest full share. On the date of this Merger Plan, the Merging Company holds 150,361 treasury shares and the Receiving Company holds 44,415,207 shares in the Merging Company. Based on the situation on the date of this Merger Plan, the total number of shares in the Receiving Company to be issued as Merger Consideration would therefore be 34,664,986 shares.

Apart from the Merger Consideration to be issued in the form of new shares of the Receiving Company and proceeds from the sale of fractional entitlements, no other consideration shall be distributed to the shareholders of the Merging Company.

5.2 Grounds for the determination of the Merger Consideration

The Merger Consideration has been determined based on the relation of valuations of the Merging Company and the Receiving Company. The value determination has been made by applying generally used valuation methods. The value determination has been based on the stand-alone valuations of the Companies Participating in the Merger taking into account various company specific factors.

Based on their respective relative value determinations, which are supported by fairness opinions received by each of the Merging Company and the Receiving Company from their respective financial advisors, the Boards of Directors of the Merging Company and the Receiving Company have concluded that the Merger Consideration is fair from a financial point of view of the Merging Company and the Receiving Company.

6 Distribution of the Merger Consideration

The Merger Consideration shall be distributed to the shareholders of the Merging Company, other than the Receiving Company or the Merging Company itself, on the Effective Date or as soon as reasonably possible thereafter.

The Merger Consideration shall be distributed in the book-entry securities system maintained by Euroclear Finland Ltd. The Merger Consideration payable to each shareholder of the Merging Company shall be calculated, using the exchange ratio set forth in Section 5.1 above, based on the number of shares in the Merging Company registered in each separate book-entry account of each such shareholder at the end of the last trading day preceding the Effective Date. The Merger Consideration shall be distributed automatically, and no actions are required from the shareholders of the Merging Company in relation thereto. The new shares of the Receiving Company distributed as Merger Consideration shall carry full shareholder rights as from the date of their registration in the Finnish Trade Register.

7 Option rights and other special rights entitling to shares

The Merging Company has not issued any option rights or other special rights entitling to shares referred to in Chapter 10, Section 1 of the Companies Act.

8 Share-based incentive plans

The Merging Company has four (4) share-based long-term incentive plans under which share rewards have not been paid in their entirety by the date of this Merger Plan: Performance Share Plan (PSP) 2021–2023, Performance Share Plan (PSP) 2020–2022, Deferred Share Unit Plan (DSUP) 2021–2023 and Deferred Share Unit Plan (DSUP) 2019–2021.

The Board of Directors of the Merging Company has, conditionally and subject to the execution of the Merger, resolved on the impact of the Merger on such incentive plans in accordance with their terms and conditions. According to the resolution, the incentive plans will be settled in cash. In the event that any amendments to the treatment of the incentive plans in the Merging Company are required prior to the Effective Date, the Board of Directors of the Merging Company shall resolve on such matters prior to the Effective Date subject to the Combination Agreement and Section 11 below.

9 Share capital and other equity of the Receiving Company

The share capital of the Receiving Company is EUR 100,000,000. The share capital of the Receiving Company shall be increased by EUR 40,000,000, in connection with the registration of the execution of the Merger, after which the share capital of the Receiving Company shall be EUR 140,000,000. The equity increase of the Receiving Company, insofar as it exceeds the amount to be recorded into the share capital, shall be recorded as an increase of the reserve for invested unrestricted equity in accordance with Section 10 below.

10 Description of assets, liabilities and shareholders' equity of the Merging Company and of the circumstances relevant to their valuation, of the effect of the Merger on the balance sheet of the Receiving Company and of the accounting treatment to be applied in the Merger

In the Merger, all (including known, unknown and conditional) assets, liabilities and responsibilities as well as agreements and commitments and the rights and obligations relating thereto of the Merging Company, and any items that replace or substitute any such item, shall be transferred to the Receiving Company.

The Merger is to be carried out by applying the acquisition method using book values. The merger result will be calculated as a difference of the acquisition cost of the previously held interest in the Merging Company by the Receiving Company and the corresponding net assets of the Merging Company transferred in the Merger. The assets and the liabilities in the closing accounts of the Merging Company are recognized at book value in appropriate asset and liability line items in the balance sheet of the Receiving Company in accordance with the Finnish Accounting Act (1336/1997, as amended) and the Finnish Accounting Decree (1339/1997, as amended), except for the items relating to receivables and liabilities between the Receiving Company and the Merging Company; these receivables and liabilities will be extinguished in the Merger. The Receiving Company's assets include shares representing 29,57% in the outstanding shares of the Merging Company. As the value of the shares in the Merging Company in the Receiving Company's balance sheet is greater than the related net assets transferred to the Receiving Company from the Merging Company the merger loss will be recognized related to previously held interest and allocated to assets and liabilities transferred attributable to the merger loss.

The equity of the Receiving Company shall be formed in the Merger by applying the acquisition method so that the amount corresponding the book value of the net assets of the Merging Company, of which the net assets related to previously held ownership in the Merging Company have been deducted, shall be recorded into reserve for invested unrestricted equity of the Receiving Company with the exception of the increase in share capital as described in Section 9 above.

A description of the assets, liabilities and shareholders' equity of the Merging Company and an illustration of the post-Merger balance sheet of the Receiving Company is attached to this Merger Plan as **Appendix 2**.

The final effects of the Merger on the Receiving Company's balance sheet will be determined according to the circumstances and the laws and regulations governing the preparation of the financial statements in Finland (the "**Finnish Accounting Standards**") at the Effective Date of the Merger.

11 Matters outside ordinary business operations

From the date of this Merger Plan, each of the Parties shall continue to conduct their operations in the ordinary course of business and in a manner consistent with past practice of the relevant Party, unless the Parties specifically agree otherwise.

Except as set forth in this Merger Plan and the Combination Agreement, and unless the Parties specifically agree otherwise, the Merging Company and the Receiving Company shall during the Merger process not resolve on any matters (regardless of whether such matters are ordinary or extraordinary) which would affect the shareholders' equity or number of outstanding shares in the relevant company, including but not limited to corporate acquisitions and divestments, share issues, issue of special rights entitling to shares, acquisition or disposal of treasury shares, dividend distributions, changes in share capital, or any comparable actions, or take or commit to take any such actions, except for:

(A) In case of the Receiving Company:

(i) a distribution of funds for the financial year ending December 31, 2021 (if the execution of the Merger has not taken place prior to February 28, 2022) prior to the Effective Date in an aggregate amount not exceeding EUR 180 million and it being understood that (i) the Receiving Company cannot under any circumstances distribute a higher amount of funds than set forth in this sentence and (ii) this sub-section (A)(i) may not restrict the distribution of minority dividend in accordance with the Companies Act; and

(ii) issuance of a maximum of 251,230 shares under the current share-based incentive plans;

(B) In case of the Merging Company:

(i) a distribution of funds for the financial year ending December 31, 2021 (if the execution of the Merger has not taken place prior to February 28, 2022) prior to the Effective Date in an aggregate amount not exceeding EUR 40 million and it being understood that (i) the Merging Company cannot under any circumstances distribute a higher amount of funds than the combined amount of the distribution of funds set forth in this sentence and the extra distribution of funds set forth in sub-section (B)(ii) below; and (ii) this sub-section (B)(i) may not restrict the distribution of minority dividend in accordance with the Companies Act (and the possible distribution of minority dividend shall not restrict the extra distribution of funds set forth in sub-section (B)(ii) below); and

(ii) an extra distribution of funds in the amount of EUR 2.00 per share either as dividend or return of equity or a combination of the aforementioned prior to the Effective Date to the shareholders of the Merging Company (the "**Extra Distribution to Neles Shareholders**");

in each case listed above under sub-sections (A) and (B), as agreed in more detail and in accordance with the Combination Agreement.

For the avoidance of doubt, nothing in this Section or this Merger Plan shall prevent the payment of the share remuneration payable for the members of the Board of Directors of the Merging Company in accordance with the decision by the annual general meeting of the Merging Company held on March 23, 2021.

12 Capital loans

Neither the Merging Company nor the Receiving Company has issued any capital loans, as defined in Chapter 12, Section 1 of the Companies Act.

13 Shareholdings between the Merging Company and the Receiving Company

On the date of this Merger Plan, the Merging Company or its subsidiaries do not hold any shares in the Receiving Company. On the date of this Merger Plan, the Receiving Company holds 44,415,207 shares in the Merging Company.

On the date of this Merger Plan, the Merging Company holds 150,361 treasury shares. Neither of the Companies Participating in the Merger has a parent company.

14 Business mortgages

On the date of this Merger Plan, there are no business mortgages as defined in the Finnish Act on Business Mortgages (634/1984, as amended) pertaining to the assets of either the Merging Company or the Receiving Company.

15 Special benefits or rights in connection with the Merger

The President and CEO of the Merging Company is a participant in certain share-based incentive plans referred to in Section 8 above. Save for the contemplated settlement of share-based incentive plans in cash, conditional upon the execution of the Merger referred to in Section 8 above, no special benefits or rights, each within the meaning of the Companies Act, shall be granted in connection with the Merger to any members of the Board of Directors, the Presidents and CEOs or the auditors of either the Merging Company or the Receiving Company, or to the auditors issuing statements on this Merger Plan to the Merging Company.

The remuneration of the auditors issuing their statement on this Merger Plan and remuneration of the auditor of the Merging Company is proposed to be paid in accordance with an invoice approved by the Board of Directors of the Receiving Company in the case of the auditor of the Receiving

Company and by the Board of Directors of the Merging Company in the case of the auditor of the Merging Company. The Merging Company's auditor will issue a statement referred to in Chapter 16, Section 4, Subsection 1 of the Companies Act to the Merging Company and the Receiving Company's auditor will issue the said statement to the Receiving Company. The remuneration of the auditor of the Merging Company issuing a report on the final accounts of the Merging Company is proposed to be paid in accordance with an invoice approved by the Board of Directors of the Receiving Company.

16 Planned registration of the execution of the Merger

The planned Effective Date, meaning the planned date of registration of the execution of the Merger, is January 1, 2022 (effective registration time approximately at 00:01), however, subject to the fulfilment of the preconditions in accordance with the Companies Act and the conditions for executing the Merger set forth below in Section 19.

The Effective Date may change if, among other things, the execution of measures described in this Merger Plan takes a shorter or longer time than what is currently estimated, or if circumstances related to the Merger otherwise necessitate a change in the time schedule or if the Boards of Directors of the Companies Participating in the Merger jointly resolve to file the Merger to be registered prior to, or after, the planned registration date.

The Boards of Directors of the Companies Participating in the Merger shall file a notification for the execution of the Merger with the Finnish Trade Register, at the latest, without undue delay after all conditions for the Merger have been fulfilled or duly waived, with a request to the Finnish Trade Register to register the Merger.

17 Listing of the new shares of the Receiving Company and delisting of the shares of the Merging Company

The Receiving Company shall apply for the listing of the new shares to be issued by the Receiving Company as Merger Consideration to public trading on the Helsinki Stock Exchange. For the purposes of the Merger and the listing of the new shares to be issued by the Receiving Company as Merger Consideration, a merger prospectus will be published by the Receiving Company before the Valmet EGM and the Extraordinary General Meeting of the Merging Company resolving on the Merger (the "**Neles EGM**"). The trading in the new shares shall begin on the Effective Date or as soon as reasonably possible thereafter.

The trading in the shares of the Merging Company on the Helsinki Stock Exchange is expected to end at the end of the last trading day preceding the Effective Date and the shares in the Merging Company are expected to cease to be listed on the Helsinki Stock Exchange as of the Effective Date, at the latest.

18 Language versions

This Merger Plan (including any applicable appendices) has been prepared and executed in the Finnish language and translated into the English language. Should any discrepancies exist between the Finnish version and the unofficial English translation, the Finnish version shall prevail.

19 Conditions for executing the Merger

The execution of the Merger is conditional upon the satisfaction or, to the extent permitted by applicable law, waiver of each of the conditions set forth below:

(i) the Merger having been duly approved by the Neles EGM;

(ii) shareholders of the Merging Company representing no more than twenty (20) per cent of all shares and votes in the Merging Company having demanded the redemption of his/her/its shares in the Merging Company pursuant to Chapter 16, Section 13 of the Companies Act;

(iii) the Merger, the proposed amendments to the Articles of Association, the number and election of the members of the Board of Directors (including the election of the Chairman and the Vice Chairman of the Board of Directors) and the remuneration of the members of the Board of Directors (including remuneration of the members of the Audit Committee and the Remuneration and HR Committee of the Receiving Company) as set forth in Sections 3 and 4 above, as well as the issuance of new shares of the Receiving Company as Merger Consideration to the shareholders of the Merging Company, having been duly approved by the Valmet EGM;

(iv) the Extra Distribution to Neles Shareholders referred to in Section 11 above having been authorized by the Neles EGM and having been executed;

(v) if the Completion has not taken place prior to February 28, 2022, the distributions of funds to the shareholders of the Merging Company and the Receiving Company, respectively, as defined in the Combination Agreement and referred to in Section 11 above, other than the Extra Distribution to Neles Shareholders, having been declared to the extent so resolved by the respective general meetings, and executed;

(vi) the competition approvals, as defined in the Combination Agreement, having been obtained in accordance with the Combination Agreement;

(vii) the regulatory approvals, as defined in the Combination Agreement, having been obtained in accordance with the Combination Agreement;

(viii) the Receiving Company having obtained from the Helsinki Stock Exchange written confirmations that the listing of the Merger Consideration on the official list of the Helsinki Stock Exchange will take place on the Effective Date or as soon as possible thereafter;

(ix) the financing required in connection with the Merger being available materially in accordance with the post-Merger financing arrangement of the Receiving Company;

(x) no event of default under any arrangement in respect of financial indebtedness of either Party having, as of the Signing Date, an outstanding principal amount of no less than EUR 180 million in respect of Neles and an outstanding principal amount of no less than EUR 440 million in respect of Valmet, having occurred and being continuing or being reasonably likely to occur as a result of the execution of the Merger, if such event of default would, in the opinion of the other Party acting in good faith and after consultation with the Board of Directors of the defaulting Party, be reasonably expected to have a material adverse effect, as defined in the Combination Agreement, on the group of the Receiving Company after the Merger;

(xi) no event, circumstance or change having occurred on or after the date of the Combination Agreement that would have a material adverse effect, as defined in the Combination Agreement, in respect of the group of the Merging Company or of the Receiving Company or, the group of the Receiving Company after the Merger;

(xii) neither Party not, on or after the date of the Combination Agreement, having received information on an event, circumstance or change having occurred prior to the date of the

Combination Agreement and previously undisclosed to it that would have a material adverse effect, as defined in the Combination Agreement, in respect of the group of the Merging Company or of the Receiving Company or, the group of the Receiving Company after the Merger; and

(xiii) the Combination Agreement remaining in force and not having been terminated in accordance with its provisions.

Each of the Boards of Directors of the Companies Participating in the Merger has the right to, in each of their sole discretion and without approval from the General Meeting of the relevant company, to waive any of the conditions for executing the Merger set out above on behalf of the Merging Company and the Receiving Company respectively.

20 Transfer of employees

All the employees of the Merging Company shall be transferred to the Receiving Company in connection with the execution of the Merger by operation of law as so-called old employees. The Receiving Company shall assume the obligations arising out of the employment and service relationships of the transferring personnel in force as at the Effective Date as well as the obligations resulting from the related benefits.

21 Dispute resolution

Any dispute, controversy or claim between the Parties arising out of or relating to this Merger Plan, or the transactions contemplated hereby, or the breach, termination or validity thereof, shall be finally settled by arbitration in accordance with the Arbitration Rules of the Finland Chamber of Commerce. The number of arbitrators shall be three (3). Valmet shall appoint one (1) arbitrator and Neles shall appoint one (1) arbitrator. In the event of a failure by any Party to appoint such party-appointed arbitrator, the Arbitration Institute of the Finland Chamber of Commerce will make the appointment upon the request of the other Party. The third arbitrator, who will act as chairman of the arbitral tribunal, will be appointed by the Arbitration Institute of the Finland Chamber of Commerce unless the two party appointed arbitrators reach an agreement on the arbitrator to be appointed as chairman within fourteen (14) days of the appointment of the latter party-appointed arbitrator. The seat of arbitration shall be Helsinki, Finland. The language of the arbitration shall be English, unless otherwise agreed by the Parties.

The Parties agree that the arbitral tribunal may, at the request of either Party, decide by an interim arbitral award a separate issue in dispute if the rendering of an award on other matters in dispute is dependent on the rendering of such an interim arbitral award.

22 Other issues

The Boards of Directors of the Companies Participating in the Merger are jointly authorised to decide on technical amendments to this Merger Plan or its appendices as may be required by authorities or otherwise considered appropriate by the Boards of Directors.

(Signature page follows)

This Merger Plan has been made in two (2) identical counterparts, one (1) for the Merging Company and one (1) for the Receiving Company.

In Helsinki, on July 2, 2021

VALMET OYJ

MIKAEL MÄKINEN	PASI LAINE
By:____________________________	By:____________________________
Name: Mikael Mäkinen	Name: Pasi Laine
Title: Chairman of the Board of Directors	Title: President and CEO

NELES CORPORATION

JAAKKO ESKOLA
By:____________________________
Name: Jaakko Eskola
Title: Chairman of the Board of Directors

Appendices to Merger Plan

Appendix 1	Amended Articles of Association of the Receiving Company
Appendix 2	Description of assets, liabilities and shareholders' equity and valuation of the Merging Company and the preliminary presentation of the balance sheet of the Receiving Company

Appendix 1
Amended Articles of Association of the Receiving Company

Articles of Association of Valmet Oyj

1 § Trade name and domicile

The company's trade name is Valmet Oyj in Finnish, Valmet Abp in Swedish, and Valmet Corporation in English. The company's domicile is Helsinki.

2 § Field of business

The company's field of business is, either directly or through its subsidiaries or affiliated companies, to engage globally in designing, developing, manufacturing, building and trading machines, instruments, equipment, production plants, industrial products and systems, and spare parts in the field of technology industry, mainly pulp, paper and power industries and flow control, producing and selling services related to this field of business, such as maintenance and diagnostic services, and other industrial or commercial activities related to this field of business.

As the parent company, the company may also attend to the group's organization, financing, purchases and other similar joint tasks as well as own real estate, shares and interests, carry out securities trading and other investment operations.

3 § Book-entry system

The company's shares belong to the book-entry securities system.

4 § Board of Directors and President

The company has a Board of Directors, a President and, if necessary, one or more Executive Vice Presidents.

The Board of Directors comprises no less than five (5) and no more than eight (8) members. The term of office of each member of the Board of Directors expires at the closing of the first Annual General Meeting of shareholders following the election. The General Meeting of shareholders elects the chairman, the vice chairman and other members of the Board of Directors.

The Board of Directors elects the company's President and, if necessary, one or more Executive Vice Presidents.

The Board of Directors meets when a meeting is convened by the chairman or, if he/she is unavailable, the vice chairman. The Board of Directors constitutes a quorum when more than one-half of its members are present and one of them is the chairman or the vice chairman.

The resolution of the Board of Directors shall be the opinion which is supported by more than one-half of the members present or, in case of a tie vote, the opinion with which the chairman of the meeting concurs.

5 § Representation right

The right to represent the company shall be vested with the chairman of the Board of Directors, a member of the Board of Directors and the President, two of them acting jointly, as well as the persons authorized by the Board of Directors to represent the company, two of them acting jointly, or each such person acting together with the chairman of the Board of Directors, a member of the Board of Directors or the President.

6 § Accounting period

The company's accounting period is a calendar year.

7 § Auditor

The company has one (1) auditor, which must be an audit firm approved by the Patent and Registration Office with an authorized public accountant as the auditor in charge.

The term of office of the auditor expires at the closing of the Annual General Meeting of shareholders following the election.

8 § Notice convening a General Meeting of shareholders and the place of General Meetings of shareholders

The notice convening a General Meeting of shareholders must be delivered to the shareholders by publishing the notice on the company's website or in one or more widely circulated daily newspapers designated by the Board of Directors or otherwise in a verifiable manner no more than three (3) months and no less than three (3) weeks prior to the General Meeting of shareholders, however, in any case, at least nine (9) days prior to the record date of the General Meeting of shareholders referred to in the Companies Act.

In order to participate in the General Meeting of shareholders, a shareholder must register with the company at the latest on the date referred to in the notice convening the meeting, which may be at the earliest ten (10) days prior to the General Meeting of shareholders.

General Meetings of shareholders may be held in Helsinki, Espoo or Vantaa.

9 § Annual General Meeting of shareholders

At the Annual General Meeting, the following are

presented:

1. the financial statements of the company, which also include the consolidated financial statements of the group, and the report of the Board of Directors;
2. the auditor's reports concerning the company and the group;

resolved:

3. adoption of the financial statements of the company, which also include the approval of the consolidated financial statements of the group;
4. the use of the profit shown on the balance sheet;
5. releasing the members of the Board of Directors and the President from liability;
6. the number of members of the Board of Directors;
7. the remuneration of the chairman, vice chairman and other members of the Board of Directors as well as the auditor;
8. the adoption of the remuneration policy, when necessary;

9. the adoption of the remuneration report;

10. any other matters submitted to the General Meeting by the Board of Directors, auditor or shareholders sufficiently in advance so that the matter can be included in the notice convening the meeting;

11. any other matters specified in the notice convening the meeting;

elected:

12. the chairman, vice chairman and other necessary members of the Board of Directors; and

13. the auditor.

If a vote is held at the company’s Annual or Extraordinary General Meeting of shareholders, the chairman of the General Meeting of shareholders shall determine the voting procedure.

Appendix 2

Description of assets, liabilities and shareholders' equity and valuation of the Merging Company and the preliminary presentation of the balance sheet of the Receiving Company

The following Receiving Company's illustrative Merger Balance sheet is based on Valmet's and Neles' balance sheets as at December 31, 2020 and illustrates the application of the acquisition method using book values for the recording of the Merger to the Receiving Company's balance sheet as described in Section 10 of this Merger Plan. Neles' balance sheet information has been aligned with Valmet's Accounting principles and presentation format. The final effects of the Merger on the balance sheet of the Receiving Company will be determined according to the balance sheet position and the Finnish Accounting Standards in force as per the Effective Date thus the illustrative balance sheet information presented herein is therefore only indicative and subject to change.

EUR million	Receiving Company, Valmet before the Merger (FAS)	Merging Company, Neles before the Merger (FAS)	Transactions after December 31, 2020 1)	Preliminary Merger adjustments	Ref	Receiving Company Merger Balance Sheet
Assets						
Non-current assets						
Intangible assets	2	0	-	-		3
Property, plant and equipment	5	0	-	-		5
Equity investments	1,863	474	-	-42	2)	2,296
Non-current receivables	110	-	-	0		110
Total non-current assets	**1,980**	**475**	**-**	**-42**		**2,414**
Current assets						
Long-term receivables	-	0	-	-0		-
Current receivables	373	89	-208	-		255
Cash and cash equivalents	96	102	139	-		337
Total current assets	**470**	**191**	**-69**	**-0**		**592**
Total assets	**2,450**	**666**	**-69**	**-42**		**3,006**
Equity and liabilities						
Equity						
Share capital	100	51	-	-11	2)	140
Reserve for invested unrestricted equity	428	39	-	20	2), 3)	487
Hedge and other reserves	-3	-	-	-		-3
Retained earnings	800	324	-168	-290	3)	666
Profit for the period	-	-	117	29	3)	146
Total equity	**1,326**	**414**	**-51**	**-253**		**1,436**
Liabilities						
Non-current liabilities	450	150	-	212	3)	811
Current liabilities	675	102	-18	-		759
Total liabilities	**1,125**	**252**	**-18**	**212**		**1,570**
Total equity and liabilities	**2,450**	**666**	**-69**	**-42**		**3,006**

1) The following transactions, that have taken place since December 31, 2020 and before the date of this Merger Plan, have been adjusted in this preliminary presentation of the balance sheet: 1) the dividend distribution of the Receiving Company and Merging Company of EUR 135 million and EUR 33 million respectively for the year ended December 31, 2020 have been deducted from the cash and cash equivalents and retained earnings, 2) the Receiving Company's share of the Merging Company's dividend of EUR 10 million for the year ended December 31, 2020 has been included in the profit for the period and cash and cash equivalents, 3) the group contributions received by The Receiving Company and the Merging Company of EUR 187 million and EUR 21 million respectively have been adjusted from the current receivables to cash and cash equivalents, 4) the dividends of EUR 47 million and EUR 60 million received by the Receiving Company and the Merging Company respectively from their subsidiaries have been presented as an increase in profit for the period and cash and cash equivalents and 5) the net loan amortization of EUR 18 million by the Receiving Company in accordance with its loan amortization plan decreases current liabilities and cash and cash equivalents.

2) The equity of the Receiving Company shall be formed in the Merger applying the acquisition method so that the amount corresponding to the 70.43% share of the Merging Company's net assets shall be recorded to reserve for invested unrestricted equity of the Receiving Company with the exception of the increase of EUR 40 million in share capital as described in Section 9. The merger loss of EUR 415 million has been allocated to the equity investments and the previously held interest of EUR 456 million has been eliminated from the equity investments.

3) The extra distribution of funds of the Merging Company of EUR 2.00 per share altogether EUR 300 million proposed to be distributed prior to the completion of the Merger have been presented as a deduction of the retained earnings and the reserve for invested unrestricted equity and the related contemplated loan draw down of EUR 212 million has been presented as an increase in the non-current liabilities of the Merging Company. The Receiving Company's portion of the dividend of EUR 89 million has been presented as an increase in the profit for the period. The Receiving Company's dividend receivable has been netted against the corresponding dividend liability in the Merging Company's balance sheet as described in Section 10 of this Merger Plan.

The preliminary presentation of the balance sheet does not take into account among others the group contributions and dividend payments other than mentioned above to the Effective Date as well as transaction costs related to the Merger which may have a significant impact on the Receiving Company's merger balance sheet and the Merging Company's assets and liabilities prior to the execution of the Merger.

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