

NELES

Reinventing reliability in flow control

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Neles is positioning for profitable growth and strengthening its industry leadership position



Neles in brief



Strong and diversified market position in attractive process industries



Core strengths – high-quality, reliable products & services, proven technologies, global expert team



Track record of profitable growth, resilient business model and good cash generation



Strategy for profitable growth

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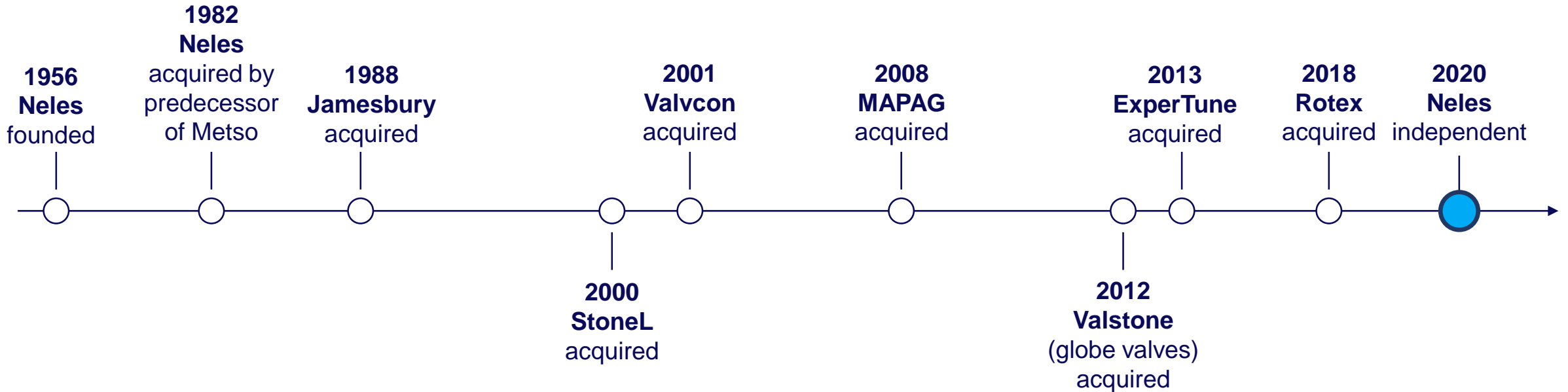


Strategy for profitable growth



History of industry experience and leadership with proven technologies

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Predominately organic growth complemented with bolt-on acquisitions

Leading diversified valve, valve automation and service company for process industries globally

NELES

Valves & valves automation

Expertise & innovation

Since 1950's

Orders

EUR **681** million
2019

Sales

EUR **660** million
2019

Adjusted EBITA

EUR **97** million
2019 (14.6% margin)

Resilient business

~70% of sales OPEX driven, recurring business



Cash generating business model



~2,900
employees

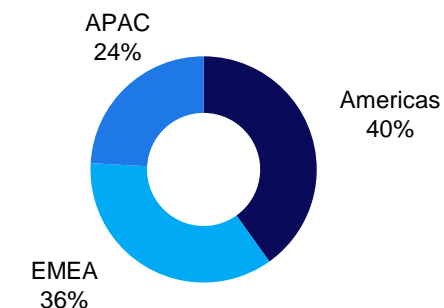
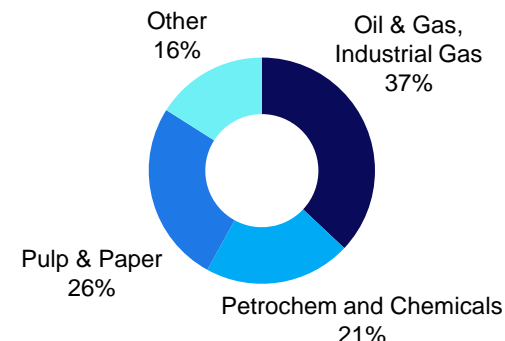


~40
Countries

Mission-critical product portfolio, high entry barrier

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

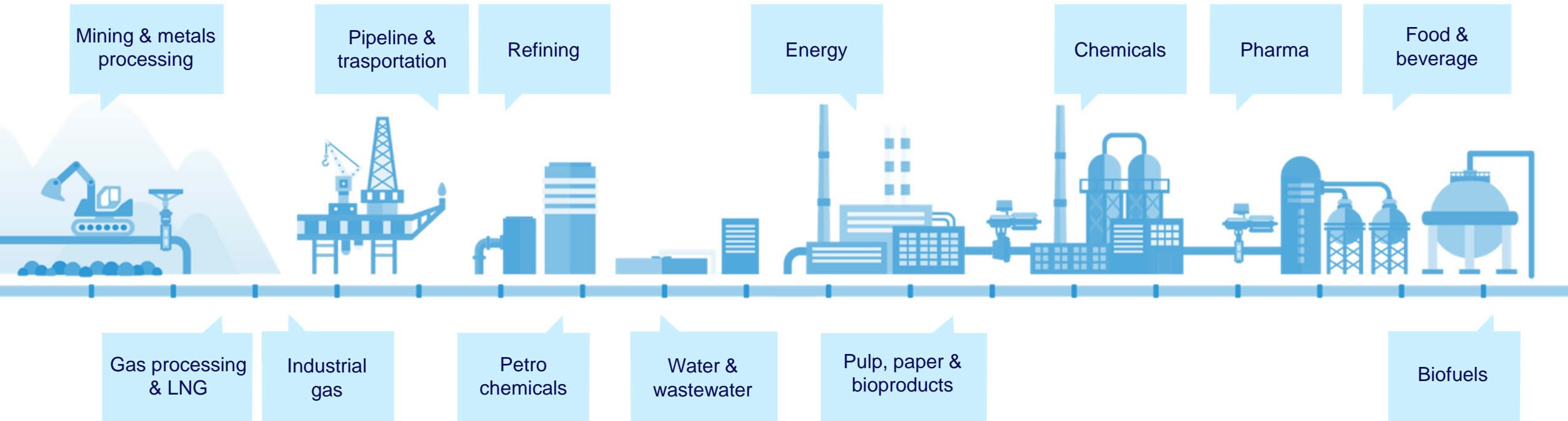
Diversified across process industries and regions



NOTE: All figures based on Neles as continued operations numbers as in Metso's 2019 annual report

A diversified company across many process industries

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Long-term customer relationships formed through direct sales and partners

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Growing installed base

Serving installed base

Direct sales

EPCs

OEMs

Distributors

Services and
replacement
sales

Largest customer ~ 5% of annual sales

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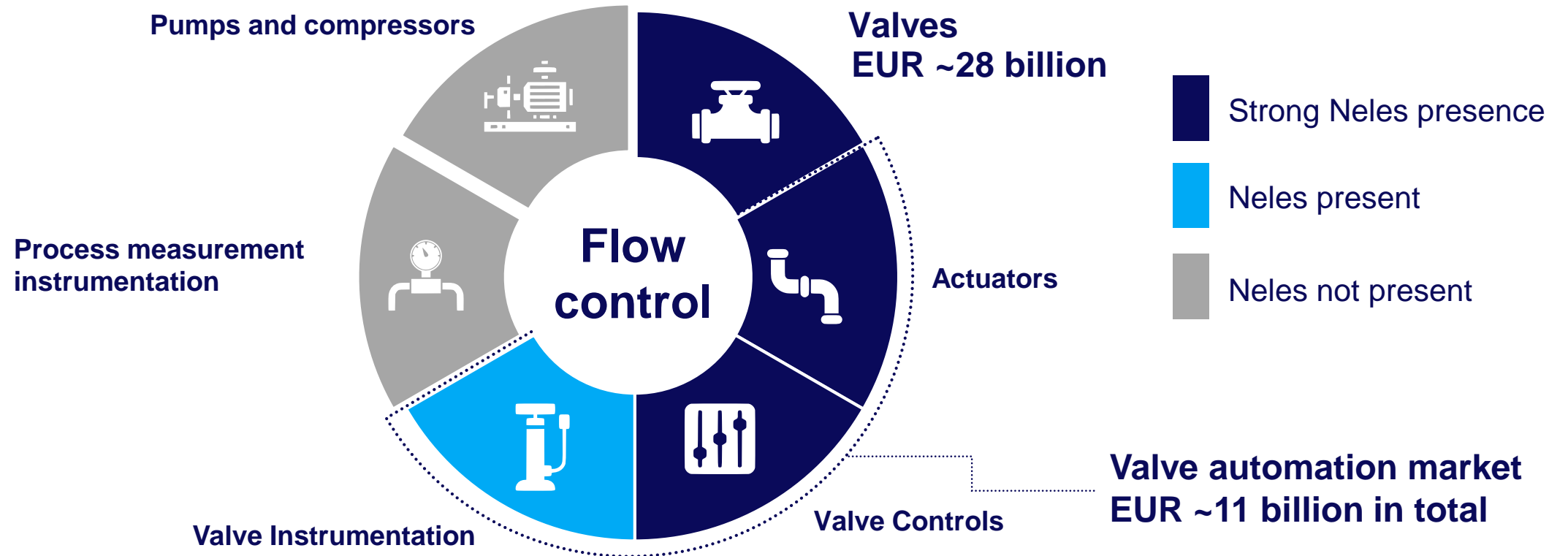


Track record of profitable growth, resilient business model and good cash generation



Strategy for profitable growth

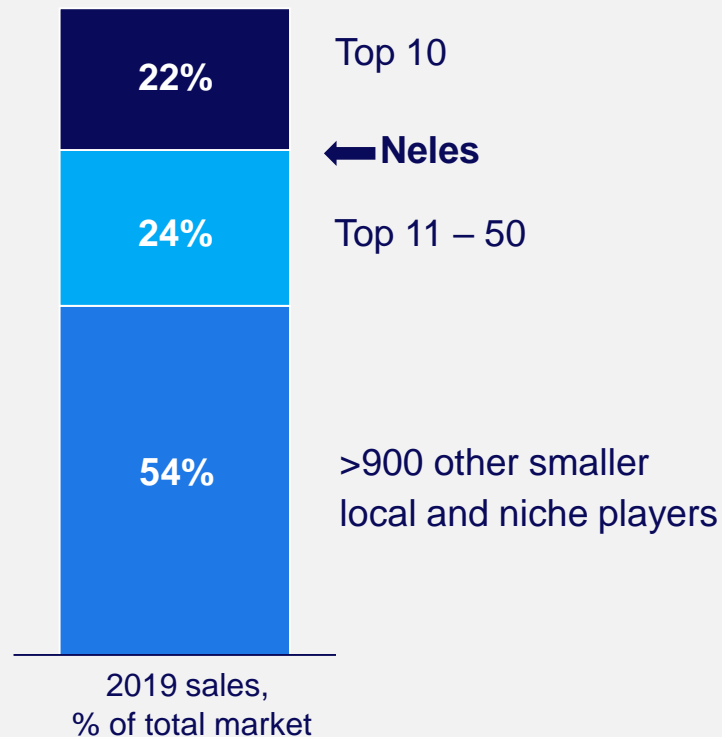
A leading market position in valves and valve automation products



Source: McKinsey

Valves and valve automation are fragmented and structurally attractive markets

Valves and valve automation industry competitive landscape



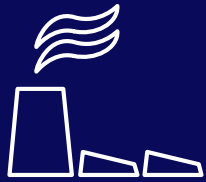
Industry structure and consolidation

- Established players benefit from strict customer and product approvals, risk-averse buying behavior, know-how and scale benefits leading to high barriers of entry, attractive earnings profiles for leading players ¹
 - Average EBIT 10%, best 20%
 - Average ROIC 10%, best 18%
 - 1.8x the Total Return to Shareholders for flow control companies compared to the average of all industrial equipment companies
- Focused players can also enjoy good profitability due to economies of scope
- Consolidation has been actively ongoing in the industry

¹ Including Emerson (Valves, Actuators and Regulators), Flowserve, Circor, Crane, Rotork, IMI, Kitz, Auma Riester, Neway Valve, KSB Group, Velan, Samson Controls

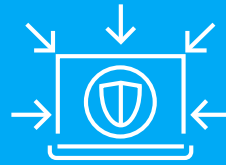
Source: Resolute Market Research; McKinsey

Megatrends are driving long-term growth for the industry



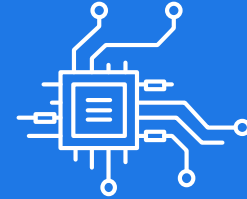
GROWING DEMAND FOR MATERIALS

- Growing and changing demand for materials correlating with global GDP growth
- Sustainability requirements, e.g. new packaging materials



SAFETY, RELIABILITY, EMISSIONS

- Consiousness is increasing and contributing to spending more on reliable and better performing equipment
- Renewal investments to upgrade and replace e.g. in Oil & Gas due to tighter fuel regulations

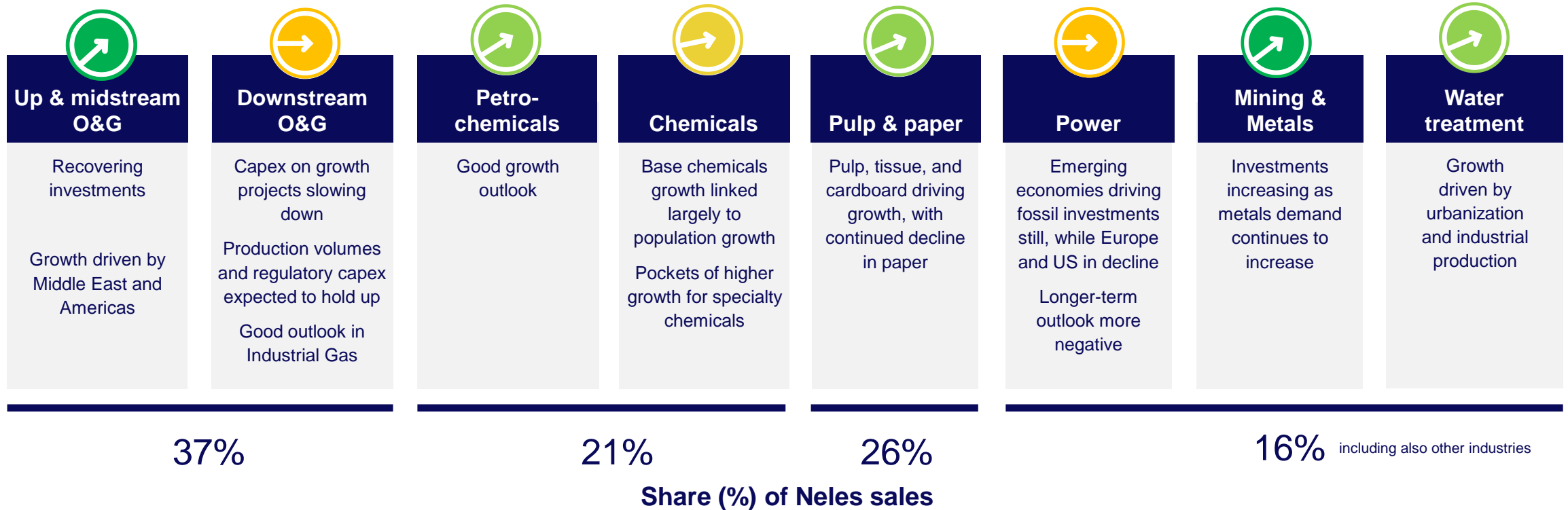


GROWING AUTOMATION LEVELS AND DIGITALIZATION

- Driving investments into more automated valves / control valves
- Digitalization enabling predictive maintenance and process optimization leveraging smart equipment and process and plant data (e.g. installed based)

Different drivers and cycles across customer industries capex

Valve and valve controls industry is expected to grow 2%¹ overall in the mid-term



¹ Prior to Covid-19, McKinsey and Neles analysis

Source: IHS, ICIS, RISI, McKinsey Energy Insights, GWI

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Strong and diversified market position in attractive process industries



Core strengths are high-quality, reliable products & services, proven technologies, global expert team



Track record of profitable growth, resilient business model and good cash generation



Strategy for profitable growth

Built success factors to meet industry requirements, plans to strengthen selected areas

Industry requirements



Strong brands



Known for quality and reliability



Efficient and global supply chains



Global sales and distributor network



High service penetration to installed base



Engineering and application knowledge



Good availability and short delivery times



Digitalization and automation capabilities

Neles strengths



Neles and Jamesbury main brands well-known and respected



Consistent quality and high-performance products



Bases in Finland, Germany, United States, China and India; and global network of suppliers



Global direct sales network supported by distributor network



~70% share of MRO sales and high service penetration



Known for high-end engineering and application knowledge in core industries



Flexible to needs of customers, room for improvement in lead times and global availability of standard products



Valve automation offering as well as digitalization programs to improve customer experience and to support customer reliability development

Neles is recognized for leading technology, quality and customer value-add

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NPS 2019
29
(2018: 21)

Quality of products & services – Responsiveness – Problem solving capability

Very good valves and, above all, very good service, both in terms of sales staff and repair.

Direct sales customer, Germany

I think the quality of products is very good, trustworthy.

Distributor, China

Customer assistance is a strength: recommending products, researching solutions to problems caused by certain conditions of the process.

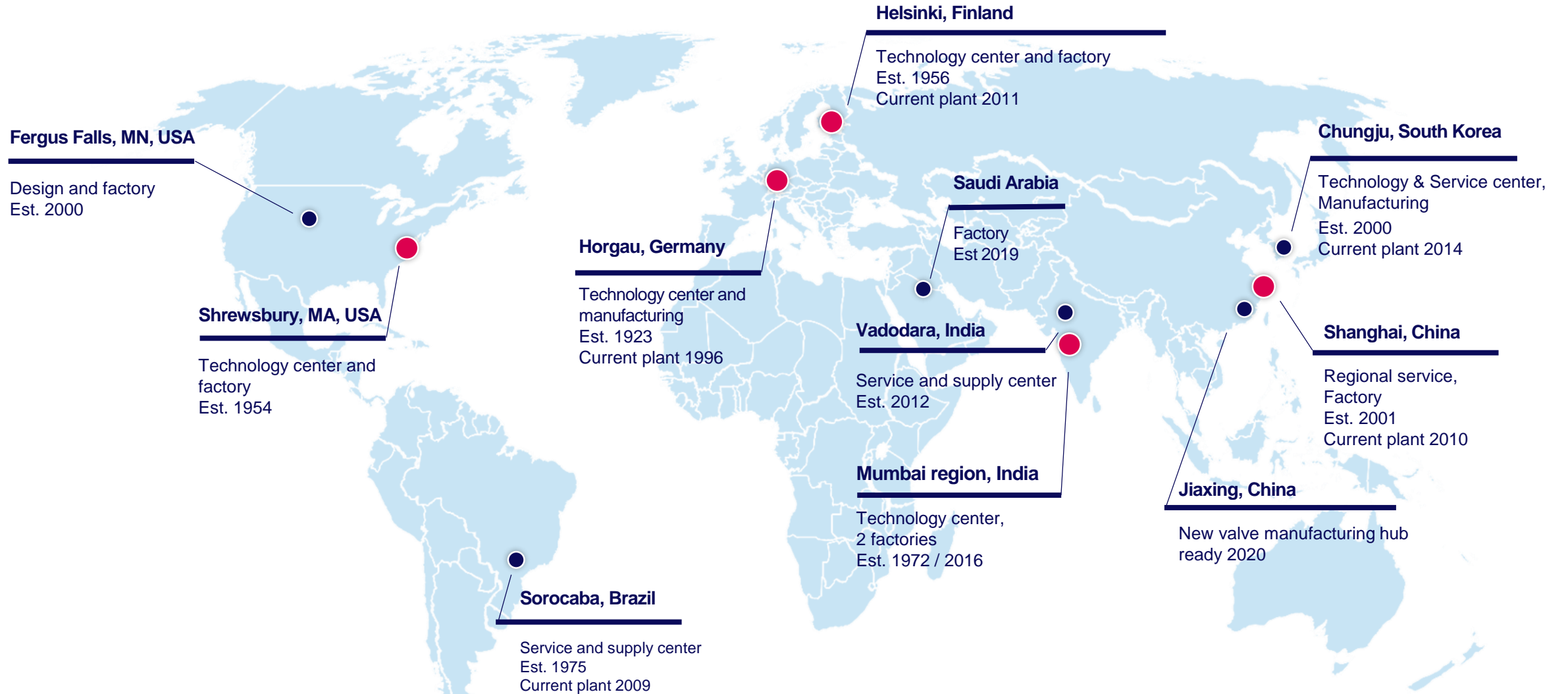
Direct sales customer, Italy

Excellent quality. Technical assistance and services.

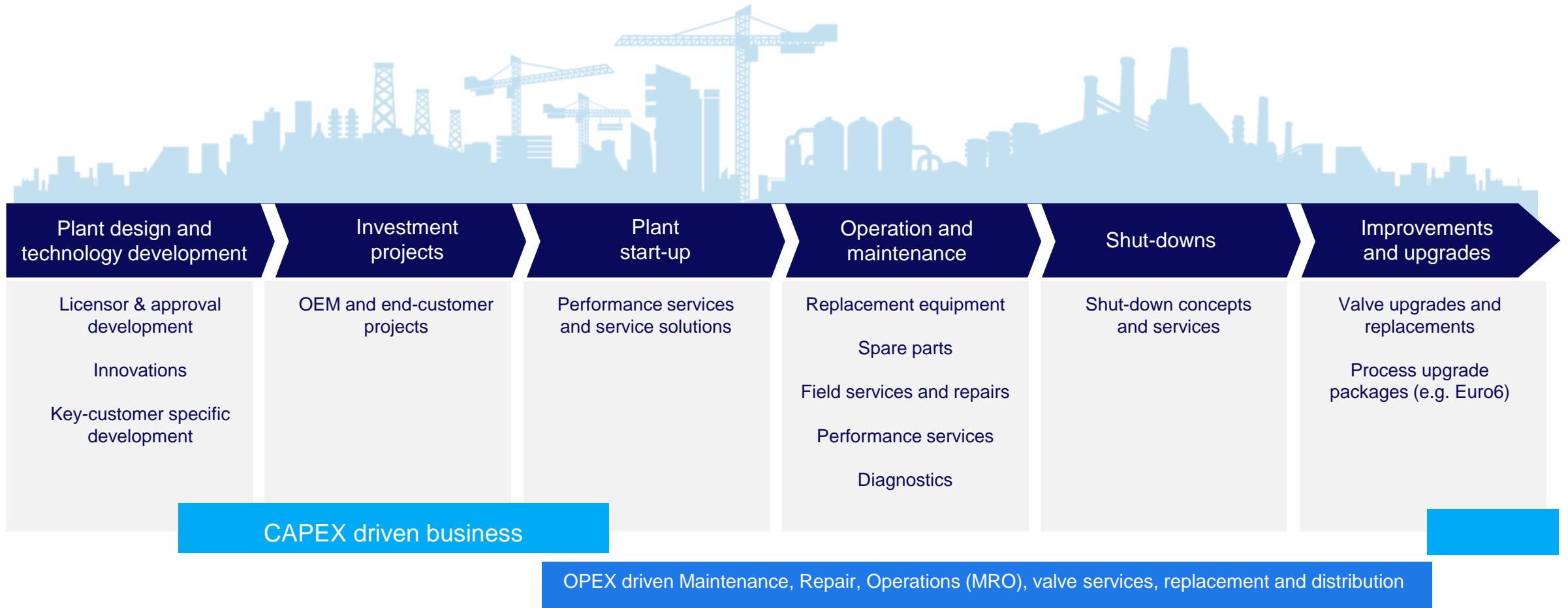
Direct sales customer, Brazil

Globally modern and balanced operational footprint, China and India provide upside

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Neles serves its customers throughout the life cycle



Mission-critical field services and spare part business

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40 service centers & ~400 service experts globally

Leading expertise in shutdown management



Growth potential through large installed base

1,000,000 serviceable valves tagged

~7 million valves in the installed base

Strong growth

since 2017



Digitalization & diagnostics

At the forefront in use of data to improve process reliability since mid-90s



Accelerating growth in valve controls and actuators

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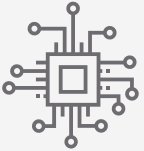


Amongst the market leaders in VC&A

Strong, proven brands and expertise



Key element in digitalization



Fast growing business in Neles



Allows growth in new industries



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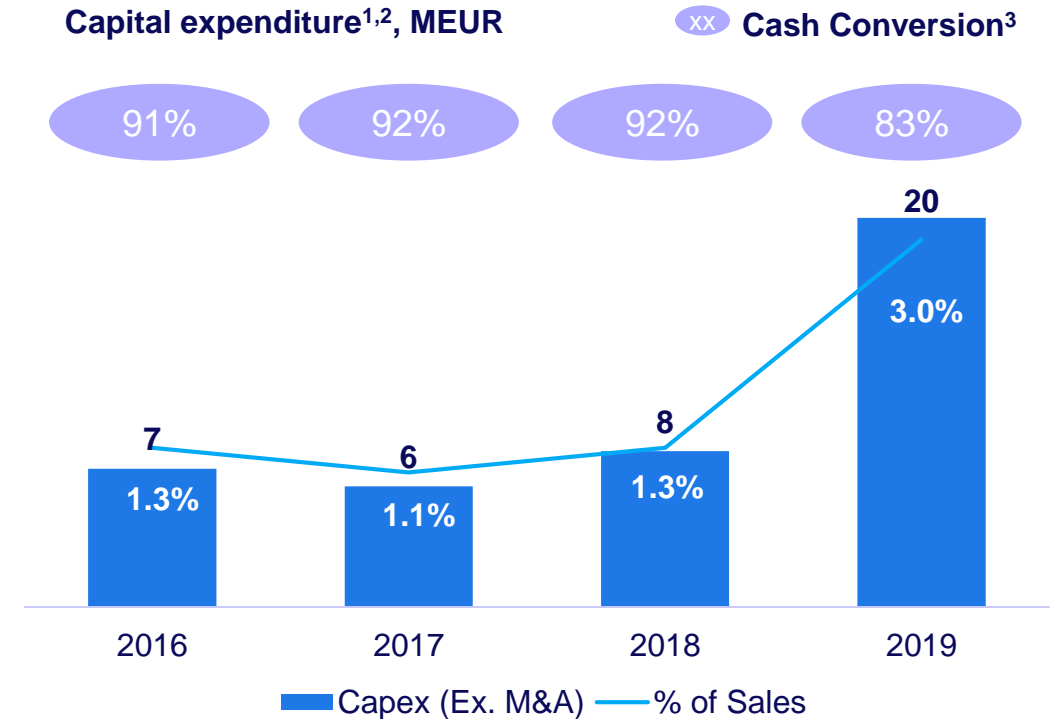
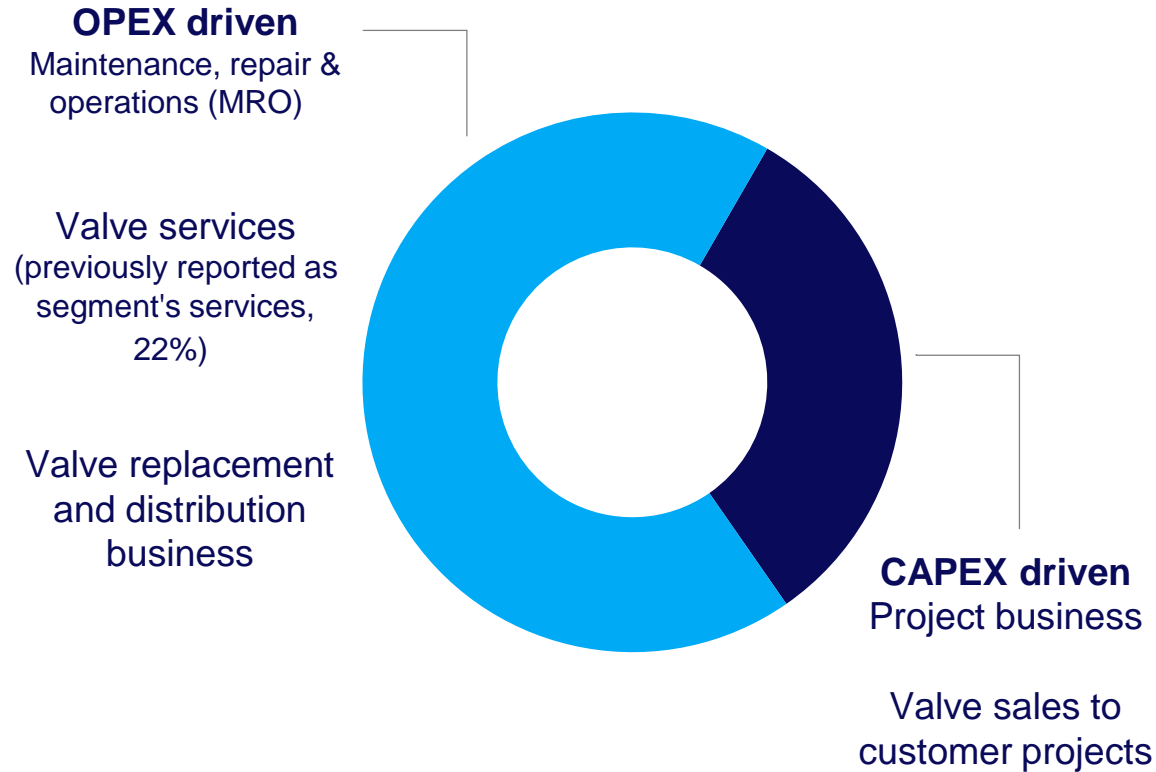


Track record of profitable growth, resilient business model and good cash generation



Strategy for profitable growth

Resilient business model with good cash generation



¹ 2016-2017 financials based on carve-out numbers; 2018-2019 financials based on Metso's "Continuing operations" as in 2019 annual report

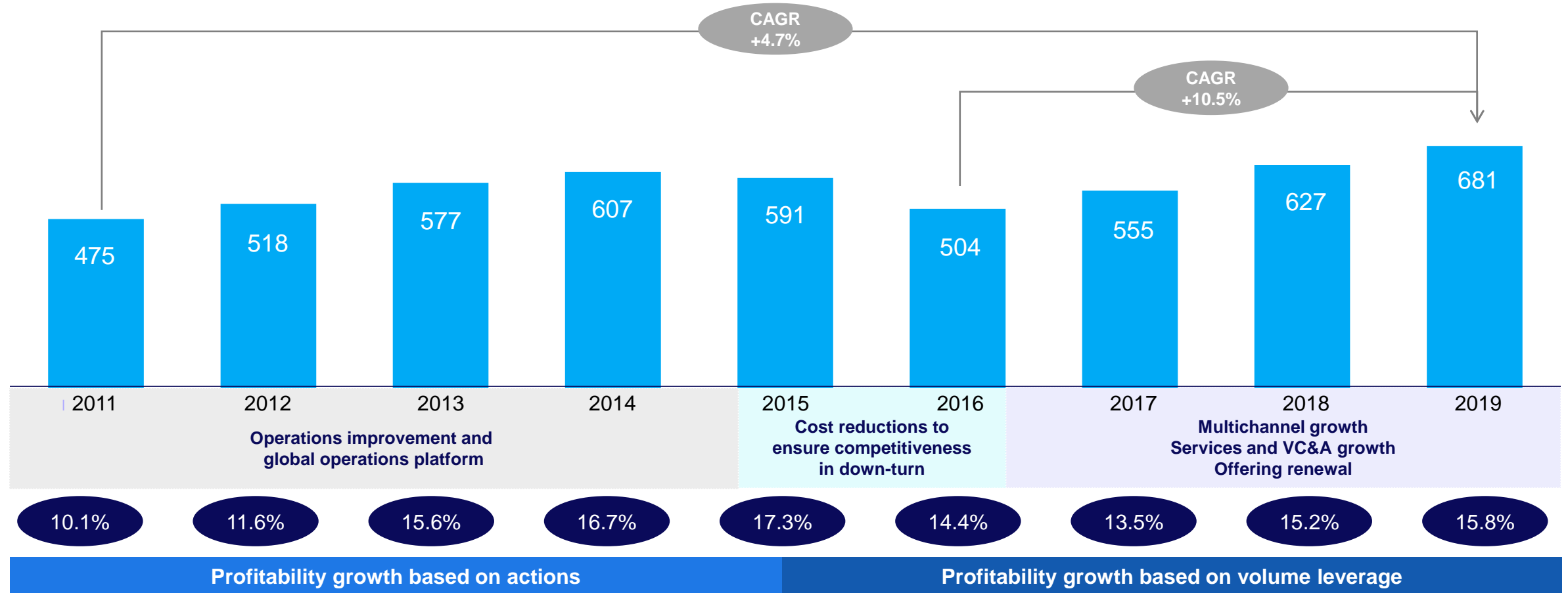
² Capex numbers exclude M&A

³ Cash conversion rate = (Adj. EBITDA-CAPEX)/Adj. EBITDA; EBITDA and Capex based on carve-out/continuing operations figures

Proven profitable business model

Orders received¹, MEUR

Orders received X% Adj. EBITA margin

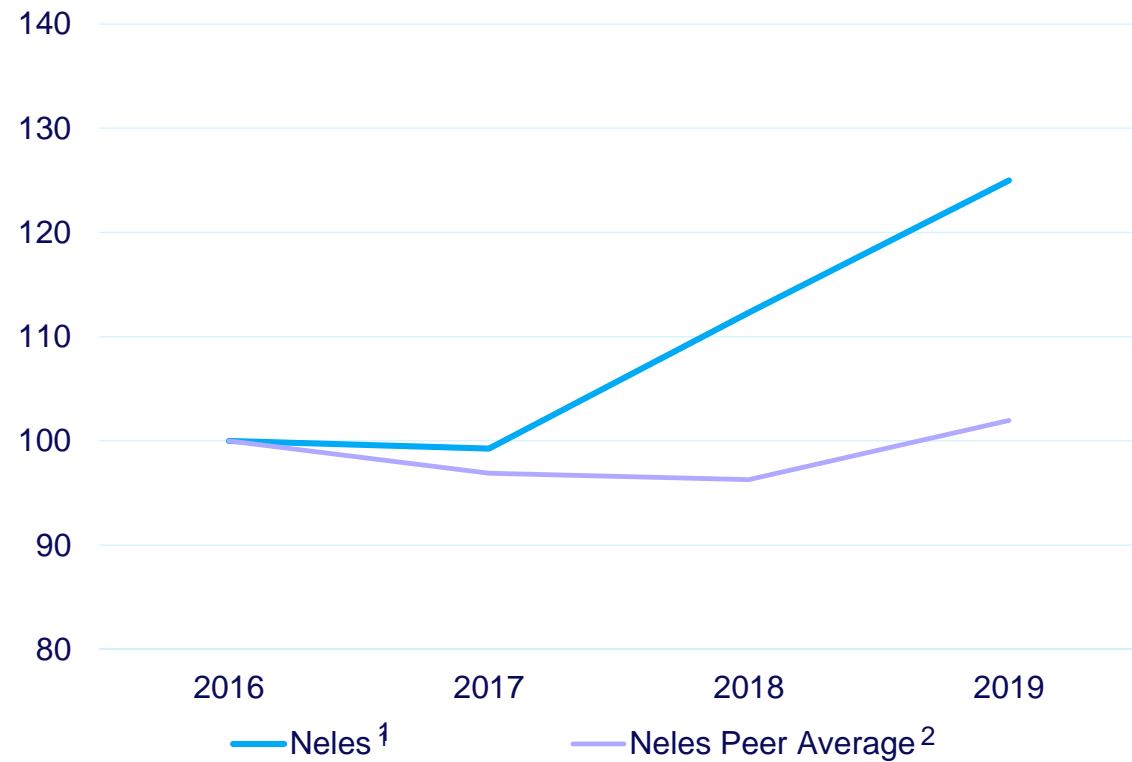


¹ Segment numbers

Growing faster than the industry with strong profitability

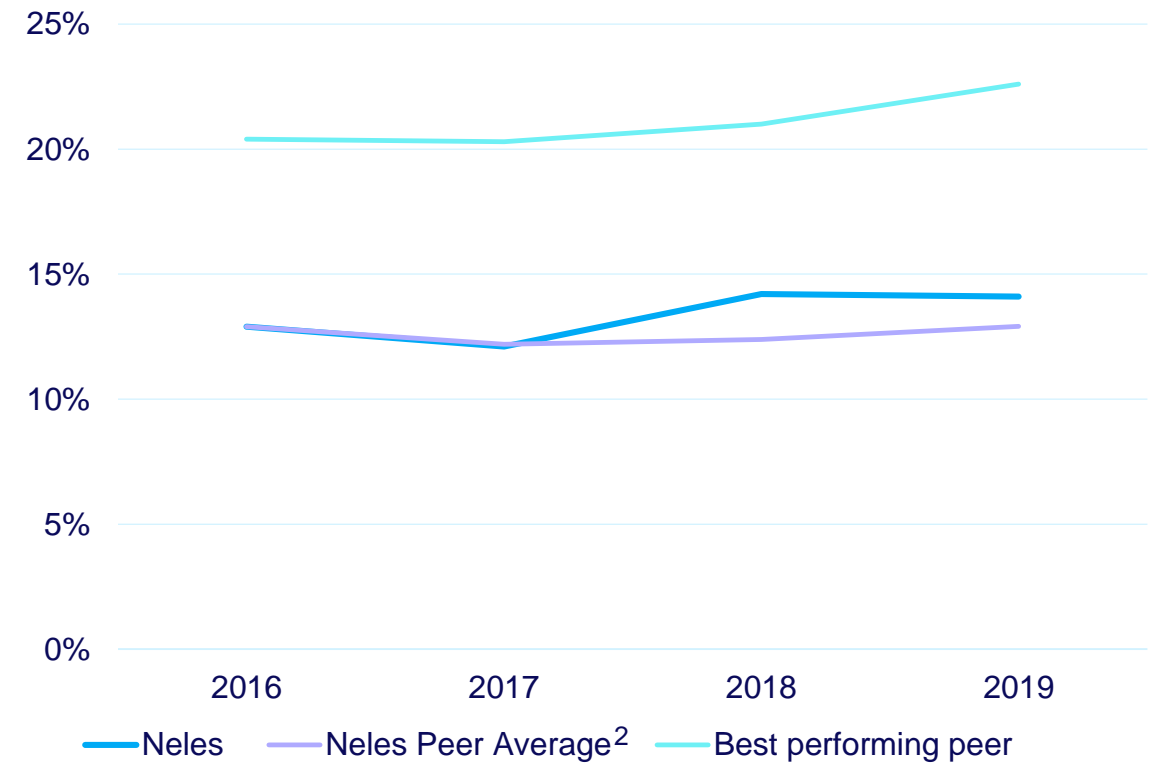
Sales

Indexed to 100 since 2016



Operating profit margin

%



¹Segment numbers

²Including Crane (Fluid Handling), Flowserve (Flow Control), IMI (Critical Engineering), Velan, Emerson (Valves, Actuators & Regulators), Rotork

Source: S&P Capital IQ for revenues, company annual reports

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Reinventing reliability in flow control – improving processes and ensuring safety and sustainability

Increasing process safety and reliability to:



Ensure safe operations and reduce risks



Reduce emissions



Reduce energy consumption



Reduce waste



Reduce waste process unavailability

Neles delivers this through:



Safe, high quality and proven performance products



Mission critical services covering the whole plant life cycle



Industry leading flow control expertise supported by our never-give-up entrepreneurial culture

Sustainability integrated into everything we do

Strategic actions to achieve profitable growth while keeping a tight focus on value creation

Growing organically and through acquisitions:

- Gain market share by expanding in selected markets and broadening product offering
- Accelerate growth of valve controls & actuators
- Strengthen service business supported by digitalization
- Execute targeted acquisitions which support these initiatives

Investing in growth while maintain profitability:

- Improve project delivery and working capital optimization
- Leverage investments in China and India
- Ongoing cost saving actions to neutralize cost increase related to demerger and to create room for growth investments (e.g. R&D, sales channel expansion)
- Short-term focus on cash flow and cost savings in the current Covid-19 pandemic

Mid-term financial targets derived from solid performance track record

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≥5%
organic
growth ambition

>€1bn
orders received
around 2025

>15%
EBITA
while investing
in growth

<2.5x
Net Debt/EBITDA
maintaining
a healthy
balance sheet
while investing
in growth

~40%
of underlying¹
net earnings paid
as dividends

¹Net Earnings excluding amortizations resulting from future M&A

Neles is positioning for profitable growth and strengthening its industry leadership position



Strong position
in attractive
industry



High-quality
products and services,
appreciated application
knowledge



Proven track record
of profitable growth,
resilient business
model and good
cash generation



Strategy for
profitable growth

NELES

Reinventing
reliability