

# NELES

Interim Review January–March 2021:

Markets improved faster than expected toward the end of Q1 – visible in positive development in Services and MRO-driven businesses

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# Forward-looking statements

NELES

This presentation contains forward-looking statements that reflect the current views of Neles. These forward-looking statements include statements with regard to the expected development of business, results of operations and financial position of Neles. Accordingly, you should consider them with caution. Such statements are subject to risks and uncertainties, most of which are difficult to predict and are generally beyond the control of Neles. Among the factors that might influence our ability to achieve our objectives are the progress of our strategy implementation. In addition, stronger than expected competition, technological innovations, legal proceedings and regulatory developments, among other factors, may have a material adverse effect on our results. Further, the economic downturn in our markets, due to the COVID-19 pandemic or otherwise, may also have an impact on our business development and the availability of financing on favorable conditions. If these or other risks and uncertainties materialize, or if the assumptions underlying any of these statements prove incorrect, our actual performance may materially differ from the performance expressed or implied by forward-looking statements. We can offer no assurance that our estimates or expectations will be achieved. Without prejudice to existing obligations under capital market law, we do not assume any obligation to update forward-looking statements to take new information or future events into account or otherwise.

# Important note about this financial information

In this Interim Review, in addition to IFRS financial information, a comparable balance sheet and a cash flow statement are disclosed. Figures in parentheses refer to the corresponding period of the continuing operations in 2020 unless otherwise stated.

Neles Group has been reported as one segment since June 30, 2020.





Q1 highlights and results



Financials in detail



Strategy update and focus areas



# Highlights of Q1

- Orders received grew by 15% compared to Q4/2020
- Services and Maintenance, Repair and Operations-driven (MRO) businesses recovered; Services orders were at the good 2019 level
- Pulp, Paper and bioproducts project business remained active and at a good level
- Chemicals and Oil & Gas project activity was weak; however, future project funnel is satisfactory, orders expected to recover H2/2021
- Sales were negatively impacted by delays caused by the temporary supply center closure in Brazil, timing of backlog deliveries and exchange rate fluctuations
- Profitability at Q1/2020 level despite low sales. Cost control continued and sales margin was healthy
- Balance sheet further strengthened by good cash flow
- Good progress in safety work (LTIF 1.1)



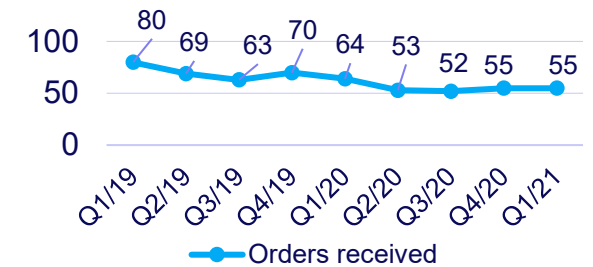
# Markets and operating environment in Q1

- Market sentiment in the North American Market Area started to improve, and orders received grew by 49% from Q4/2020, also supported by seasonality
- The Services and MRO-driven businesses improved from Q4 in the EMEIA and APAC Market Areas. Project business was suppressed in EMEIA. APAC at a solid level, especially in China
- South America Market Area orders were clearly below Q1/2020, due to lower Pulp, Paper and Bioproducts projects. Despite Covid-19 situation, the overall market activity was at a solid level in South America

North America



EMEIA



South America



APAC



Market activity in Pulp, Paper and bioproduct projects is expected to continue at a good level.

Market activity in Chemicals and Oil & Gas projects was weak in the first quarter of 2021. The market activity is expected to return to a satisfactory level during the second half of 2021. Postponements of projects and global uncertainties continue to reduce visibility in the Chemicals and Oil & Gas project businesses.

Market activity for the Services and the customer Maintenance, Repair and Operations-driven (MRO) businesses was satisfactory during the first quarter of 2021. These markets are expected to continue to improve, reaching a good level at the latest in the second half of 2021.

The ongoing Covid-19 pandemic continues to create uncertainties and risks of abrupt changes in all markets important for Neles.

The market outlook reflects management’s expectation for the next six months unless otherwise stated.

Market situation during the past four quarters					Market outlook for the next six months
	Q2/2020	Q3/2020	Q4/2020	Q1/2021	Q2-Q3/2021
<b>Pulp, Paper &amp; Bio projects</b>	Good	Good	Good	Good	<b>Good</b>
<b>Chemicals and Oil &amp; Gas projects</b>	Good	Satisfactory	Satisfactory	Weak	<b>Satisfactory</b>
<b>Services &amp; MRO businesses</b>	Satisfactory/Weak	Weak	Weak	Satisfactory	<b>Satisfactory/Good</b>

Market condition description: good – satisfactory – weak

Market outlook reflects management’s expectation for the next six months unless otherwise stated.



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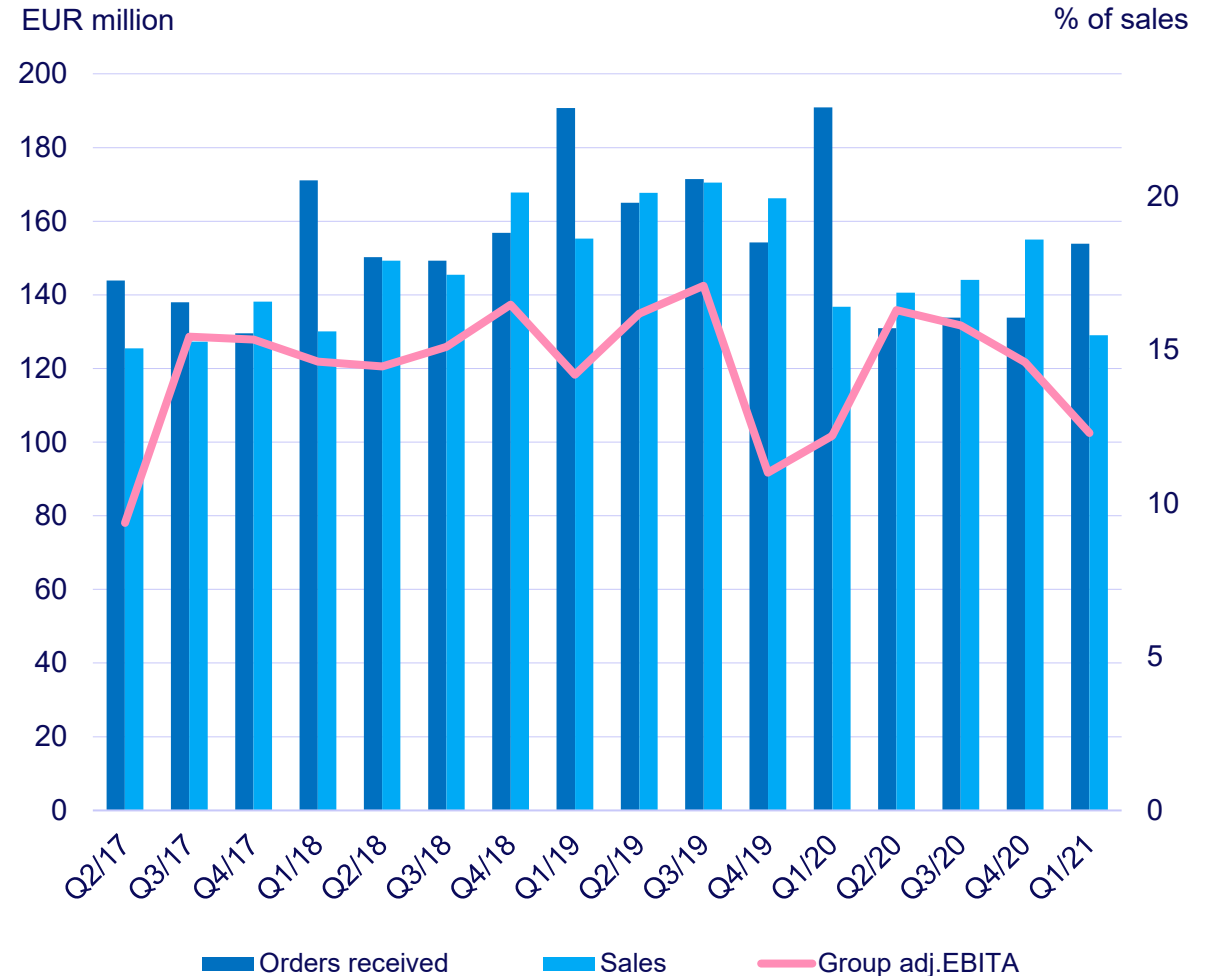
Strategy update and focus areas



# EBITA margin at the same level year-on-year

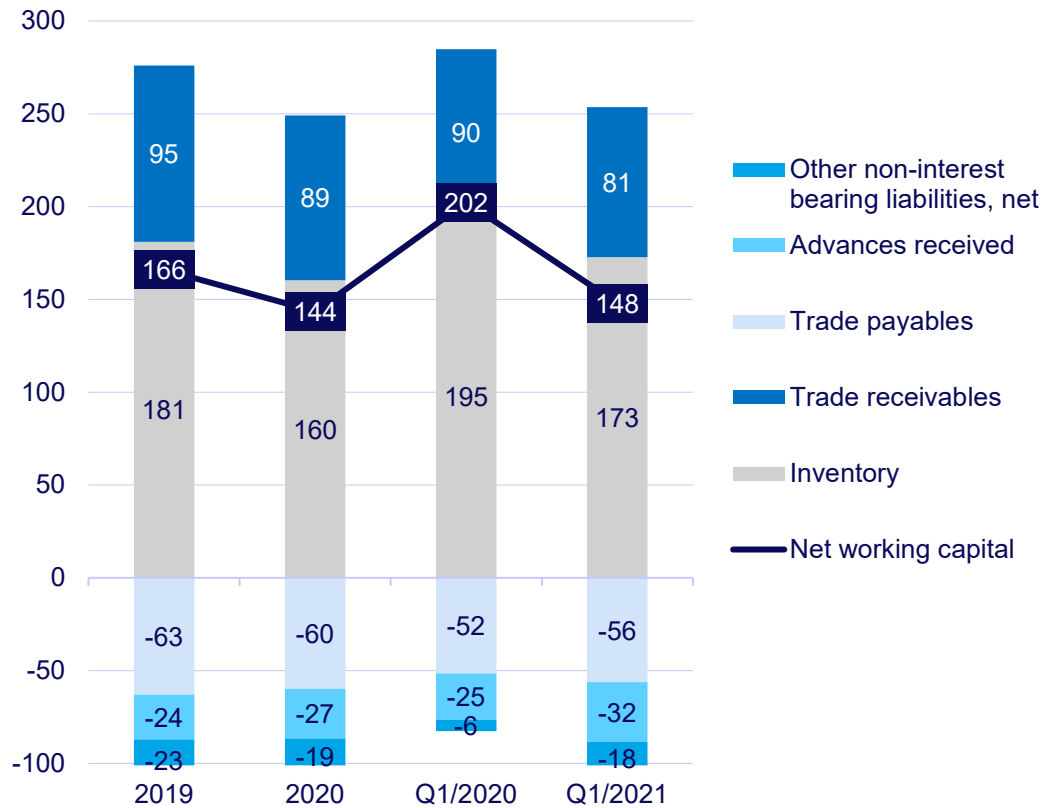
## Group key figures – Q1/2021

- Orders received in Services and MRO businesses EUR 112.4 million (EUR 107.4 million), of which Services orders EUR 40.5 million (EUR 37.1 million)
- Sales in Services and MRO businesses EUR 88.4 million (EUR 94.6 million), of which Services sales EUR 31.3 million (EUR 29.4 million)
- Orders received EUR 153.9 million, -19% y-o-y (constant currency -14%). Sales EUR 129.1 million, -6% y-o-y (constant currency +1%). Services sales +6% y-o-y.
- Adjusted EBITA EUR 15.9 million or 12.3% of sales, -5% y-o-y (EUR 16.7 million or 12.2%)
- Operating profit EUR 15.1 million or 11.7% of sales, +4% y-o-y (EUR 14.5 million or 10.6%)

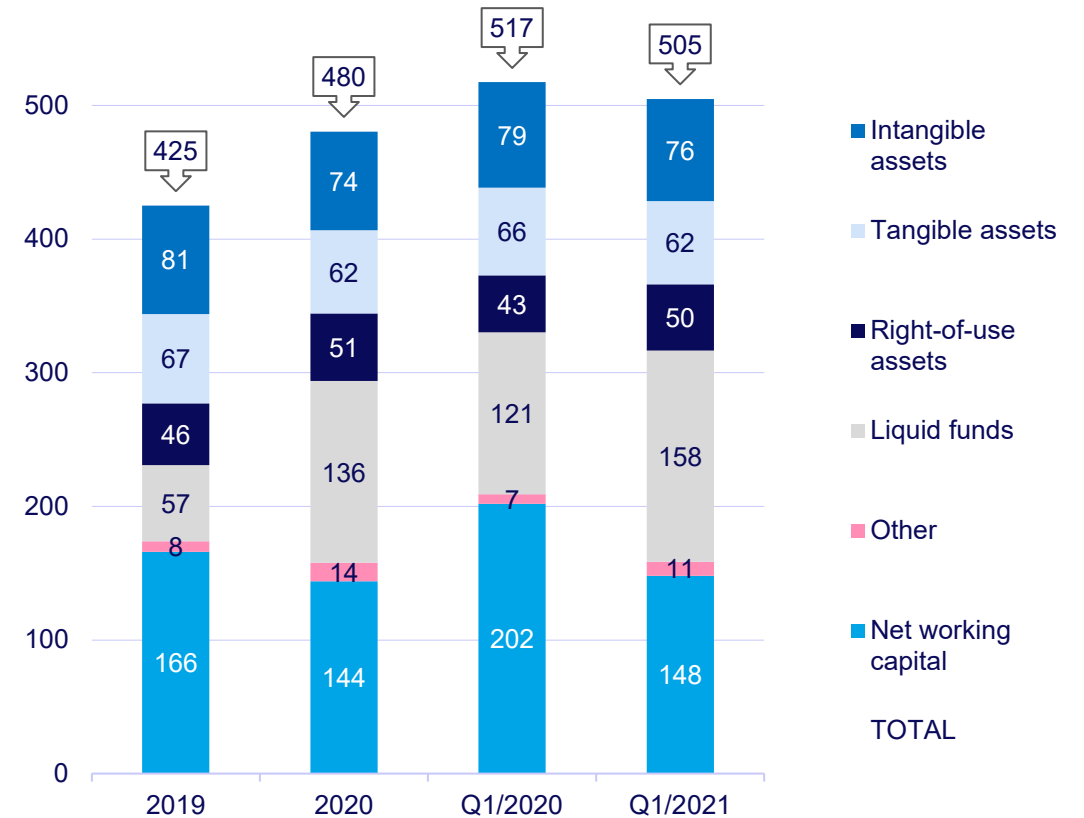


# Net working capital and Capital employed

Net working capital<sup>1</sup>, EUR million



Capital employed<sup>1</sup>, EUR million



<sup>1</sup> Operative NWC, a dividend of EUR 33.1 million not included in NWC in Q1/2021



# IFRS Income Statement

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EUR million	1–3/2021	1–3/2020	Change, %	2020
Sales	<b>129.1</b>	136.8	-6	576.3
Adj. EBITA	<b>15.9</b>	16.7	-5	85.0
of Sales, %	<b>12.3</b>	12.2		14.8
Operating profit <sup>1</sup>	<b>15.1</b>	14.5	4	70.3
of Sales, %	<b>11.7</b>	10.6		12.2
Profit before taxes	<b>14.1</b>	13.7	3	63.8
Profit for the period, continuing operations	<b>10.6</b>	10.4	2	48.2
Earnings per share, continuing operations	<b>0.07</b>	0.07	-	0.32
Earnings per share, discontinuing operations	-	0.39	-	14.31 <sup>2</sup>
Earnings per share, total	<b>0.07</b>	0.46	-	14.63

<sup>1</sup> In Q1/2021 EUR 0 million adjusting items (negative impact of EUR 1.3 million in Q1/2020 and EUR 11.3 million in 2020)

<sup>2</sup> In 2020 profit for the discontinuing operations includes EUR 2,022 million gain recognized on the distribution of net assets of discontinued operations at fair value

# IFRS balance sheet

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EUR million	Mar 31, 2021	Dec 31, 2020
Intangible assets	76.4	73.9
Tangible assets	62.3	62.3
Right-of-use assets	49.7	50.5
Other non-current assets	31.9	30.6
Inventories	172.8	160.3
Receivables (trade and other)	124.5	130.2
Cash and cash equivalents	158.0	135.9
<b>TOTAL ASSETS</b>	<b>675.6</b>	<b>643.8</b>
Total equity	250.4	263.1
Interest bearing liabilities	221.5	217.3
Non-interest bearing liabilities	203.7	163.3
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>675.6</b>	<b>643.8</b>

Key figures	Mar 31, 2021
Net debt, EUR million	63.0
Gearing, %	25.2
Equity-to-assets ratio, %	38.9
Debt to capital, %	46.9
Net debt/EBITDA ratio	0.7
Return on capital employed, before taxes, %	13.0



# Cash Flow

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EUR million	1-3/2021	1-3/2020	2020
Profit for the period	10.6	10.4	48.2
Adjustments	12.2	9.9	33.9
Change in NWC	1.2	-38.3	17.1 <sup>1</sup>
Financial income and expenses paid, net	-0.5	0.2	-6.4
Income taxes paid	-2.1	-5.3	-11.8
<b>Net cash flow from operating activities</b>	<b>21.5</b>	<b>-23.6</b>	<b>81.1</b>
Capital expenditure on fixed assets	-1.8	-0.7	-12.6
Proceeds from and investments in financial assets, net	0.0	-	-0.5
<b>Net cash flow from investing activities</b>	<b>-1.9</b>	<b>-0.3</b>	<b>-12.4</b>
<b>Free cash flow</b>	<b>19.6</b>	<b>-23.9</b>	<b>68.7</b>

<sup>1</sup> For the period of 1–12/2020, carve out related items are excluded from *Change in net working capital* and presented in *Financing, Metso Group*



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**Our customer promise**

# Reinventing reliability

We draw on our long heritage, experience and know-how to feed our ambition to continuously develop and innovate solutions that redefine how process industries experience reliable flow control performance.



# Focus turning from cost management to accelerating growth

- Strategic product launches enabling further diversification
- Product renewal for increased sustainability
- Sales and distribution network development
- Digital tools for services and sales
- Improvements in availability and delivery capabilities

NELES



# Neles' mid-term financial targets, confirmed on July 1, 2020

**≥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 underlying<sup>1</sup>  
net earnings paid  
as dividends

<sup>1</sup>Net Earnings excluding amortizations resulting from future M&A



# Reinventing reliability

neles.com



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@nelesflow



@Neles



@nelesflow

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