

NELES

Interim Review
January–March
2021

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

- Orders received grew by 15% compared to the fourth quarter of 2020
- Services and Maintenance, Repair and Operations-driven (MRO) businesses recovered in Q1, and Services orders were at the good 2019 level
- Sales were negatively impacted by delivery delays caused by the temporary supply center closure in Brazil, the timing of backlog deliveries and exchange rate fluctuations
- Profitability was at the comparison period's level, despite low sales. Cost control continued, and the sales margin was healthy
- Balance sheet further strengthened by the good cash flow

In this Interim Review, a comparable balance sheet and a cash flow statement are disclosed in addition to IFRS financial information. 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.

Summary of key figures

Operative key figures	1–3/21	1–3/20	Change, %	2020
EUR million				
Orders received ¹	153.9	190.9	-19	590.1
Order backlog at end of period	298.4	337.4	-12	270.3
Sales ²	129.1	136.8	-6	576.3
Adjusted EBITA, continuing operations	15.9	16.7	-5	85.0
% of sales	12.3	12.2		14.8
Adjustment items ³	-	1.3		11.3
Operating profit	15.1	14.5	4	70.3
% of sales	11.7	10.6		12.2
Earnings per share, continuing operations, EUR	0.07	0.07	-	0.32
Free cash flow	19.6	-23.9	-	68.7
Balance sheet key figures, IFRS				
	3/21			2020
Balance sheet total, EUR million	675.6			643.8
Net debt, EUR million	63.0			81.4
Net debt / EBITDA, rolling 12 months	0.7			0.9
Gearing, %	25.2			30.9
Personnel at end of period	2,825			2,840

¹ Of which EUR 112.4 (107.4 million) Services and MRO businesses including EUR 40.5 (37.1) million Services orders. Orders received in comparable currencies declined by 14% in 1–3/2021.

² Of which EUR 88.4 (94.6 million) Services and MRO businesses including EUR 31.3 (29.4) million Services sales. Sales in comparable currencies increased by 1% in 1–3/2021.

³ Neles had no adjustment items in 1–3/2021 (EUR 1.3 million in 1–3/2020). See Note 5.

President and CEO Olli Isotalo:

The markets improved faster than expected toward the end of the first quarter. We saw improving activity in our Services and MRO-driven businesses. Services orders are already at the good 2019 level. The MRO-driven business has also improved significantly compared to the previous quarter, although it remains slightly below the pre-Covid-19 pandemic levels. Pulp, paper and bioproduct project activity remained good. We won new Pulp and Paper projects in APAC, and booked add-ons to existing projects in EMEIA and South America. Chemicals and Oil & Gas market activity was weak; however, the future project funnel is satisfactory, and we expect orders to recover in the second half of 2021.

Sales in the first quarter were low. This was as expected due to the timing of the deliveries in the order backlog. The challenges caused by the Covid-19 pandemic in our Brazilian operations further deferred sales from the first quarter. We contained the outbreak and managed to reopen our Brazilian supply center, but with restricted capacity, prioritizing the health and safety of our employees. We will catch up with the deferred sales during this year.

During the first quarter, we continued with tight cost control, which supported our profitability despite the low sales. Despite the cost savings and the challenges caused by the Covid-19 pandemic, we were able to progress our strategic development programs. We progressed well in relocating and developing our sales support resources in India. We completed roll-outs of our harmonized ERP system in Sweden and Brazil.

As the market situation improves during the coming quarters, we plan to accelerate our strategy execution, with targeted additions in sales and RTD resources.

Market outlook

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.

Covid-19 pandemic update

In 2020, the Services and other MRO-driven businesses were negatively impacted by Covid-19 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 quarter of 2021, but uncertainties and risks in certain regions are expected to continue in the first half of 2021.

In the first quarter of 2021, Neles' Brazilian supply center was temporarily closed due to Covid-19 pandemic 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 with limited capacity, prioritizing the health and safety of the personnel. The deferred sales due to the facility's closure are expected to be recovered 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.

The global logistics situation continues to be challenging. The risk of delivery delays has increased toward the end of the first quarter.

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.

Neles' Interim Review January–March 2021

Operating environment

The overall market activity started to improve during the first quarter of 2021. The Pulp, paper and bioproducts project business remained active and at a good level. Neles won new projects, as well as additional orders for ongoing projects. The Services and MRO-driven business environment improved from the weak level of the second half of 2020 to satisfactory level. Orders received in Services during the first quarter already corresponded to the 2019 level. Orders received in the MRO-driven business improved sequentially but remained below the pre-Covid-19 pandemic levels. Chemicals and Oil & Gas project activity was weak. Orders were clearly below the very strong comparison period in 2020 and in the fourth quarter of 2020.

In the first quarter, market sentiment in the North American Market Area started to improve, and orders received grew by 49% from the previous quarter. This was also supported by seasonality.

The Services and MRO-driven businesses improved from the fourth quarter of 2020 in the EMEIA (Europe, Middle East, India and Africa) and APAC Market Areas. Project business was suppressed in EMEIA, while in APAC, it remained at a solid level, supported by investment activity in China. In the comparison period, project orders received in APAC were particularly strong.

South America Market Area orders received were clearly below the 2020 comparison period, during which large Pulp, Paper and Bioproducts project orders were booked. Despite the challenging Covid-19 pandemic situation, the overall market activity was at a solid level in South America.

Orders and Sales

Orders by market area

EUR million	1–3/21	1–3/20	2020
EMEIA	54.7	64.4	224.9
North America	54.6	58.0	168.5
South America	10.8	17.9	64.6
Asia-Pacific	33.8	50.7	132.2
Neles total	153.9	190.9	590.1

The decline in orders was due to a decline in project orders across all market areas compared to the very high level in the comparison period. Orders received in Services and MRO-driven businesses totaled EUR 112.4 million (EUR 107.4 million), of which Services orders were EUR 40.5 million (EUR 37.1 million). The order backlog on March 31, 2021 was EUR 298.4 million (EUR 337.4 million).

Sales by market area

EUR million	1–3/21	1–3/20	2020
EMEIA	52.3	52.2	223.0
North America	43.6	52.8	166.5
South America	13.6	7.5	56.9
Asia-Pacific	19.6	24.3	130.0
Neles total	129.1	136.8	576.4

Sales from project business were at the comparison period's level. Sales in Services and MRO-driven businesses totaled EUR 88.4 million (EUR 94.6 million), of which Services sales were EUR 31.3 million (EUR 29.4 million).

FX impact on orders received and sales

	Orders received	Sales
	1–3/21	1–3/21
2020, EUR million	190.9	136.8
Organic growth in constant currencies	-14%	1%
Impact of changes on exchange rates	-6%	-7%
Total change	-19%	-6%
2021, EUR million	153.9	129.1

Currency exchange rates had a significant negative impact on orders received and sales. At constant currencies, sales were at the comparison period's level. The currency exchange rate impacts came mainly from the Brazilian real, US dollar and Indian rupee.

Financial performance

EUR million	1–3/21	1–3/20	1–12/20
Adjusted EBITA	15.9	16.7	85.0
% of sales	12.3	12.2	14.8
Amortizations	-0.8	-0.8	-3.4
Adjustments	-	-1.3	-11.3
Operating profit	15.1	14.5	70.3
% of sales	11.7	10.6	12.2
Financial expenses, net	-1.0	-0.8	-6.5
Income taxes	-3.4	-3.3	-15.6
Effective tax rate %	24.5	25.1	24.4
Net profit for the period	10.6	10.4	48.2
Earnings per share	0.07	0.07 ¹	0.32 ¹

¹ Earnings per share, continuing operations

In the first quarter, profitability was negatively impacted by low sales. Cost-saving activities related to external spending continued in the first quarter of 2021, supporting profitability. As a result, the relative profitability of the business (both in terms of Adjusted EBITA and Operating Profit) was better than in the comparison period.

Cash flow and investments

EUR million	1–3/21	1–3/20	1–12/20
Cash flow from operating activities	21.5	-23.6	81.1
Capital expenditures, net	-1.9	-0.3	-12.4
Free cash flow	19.6	-23.9	68.7
Cash conversion %	185	-230	142

The strong free cash flow was due to profitability achieved through cost control and low Capex. Capex in the first quarter of 2021 consisted mainly of R&D projects.

Financial position

EUR million	3/21	Continuing operations 3/20	12/20
Inventory	172.8	195.2	160.3
Trade receivables	80.9	89.7	88.9
Trade payables	-56.2	-51.6	-59.9
Advances received	-32.2	-25.0	-26.7
Other	-18.2	-6.0	-19.0
Dividend liability	-33.1	-	-
Net working capital	114.0	202.2	143.6
Interest bearing liabilities	221.5	212.8	217.3
Other interest bearing assets	-0.5	-	-
Cash and cash equivalents	-158.0	-121.2	-135.9
Net debt	63.0	91.6	81.4
Gearing %	25.2	-	30.9
Equity	250.4	305.0	263.1
Total assets	675.6	645.6	643.8
Equity to assets ratio %	38.9	-	42.6

Neles' balance sheet and liquidity position remained solid. Interest bearing liabilities on March 31, 2021 were EUR 221.5 million (EUR 217.3 million at the end of December 2020), including EUR 50.8 million in lease liabilities (EUR 51.5 million at the end of December 2020). A dividend of EUR 33.1 million was paid on April 8, 2021.

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. Neles Group has no public rating in any ratings agency.

Research and development

Neles' research and development activities focus on the renewal and expansion of certain product platforms to ensure its offering's future competitiveness.

R&D and IP related expenditure

EUR million	1–3/21	1–3/20	2020
R&D expenditure	6.4	6.3	17.6
of sales, %	5.0	4.6	3.1
Of which expensed	3.5	4.2	14.2
of sales, %	2.7	3.1	2.5

Personnel

At the end of March 2021, Neles had 2,825 employees (March 31, 2020: 2,872; December 30, 2020: 2,840 employees).

Safety

Neles is committed to the continuous improvement of safety and the goal of zero harm.

In April, Neles Finland's operations, for the second time in a row, scored the best rating in the Vision Zero Forum's review in the category of occupational safety: Level I – at the forefront of occupational safety in the world. The Forum's decision criteria include an improvement in the safety KPIs, especially Lost Time Incident Frequency. One of the greatest achievements within Neles global safety improvement was a decline of LTIF at the level of 1.3 at the end of 2020, the best in Neles' history. In addition to the safety KPIs, the severity of accidents and the level of safety hazard reporting practices play a key role in the forum's decision making. Some 450 Finnish companies participated in the rating.

Injuries in Neles operations, rolling 12 months	3/21	12/20
Lost time incident frequency, LTIF	1.1	1.3

Share-based long-term incentive schemes for key personnel

On January 5, 2021, Neles granted DSUP 2021–2023 as a first individual plan within the DSUP structure to 39 people in Neles' top management. The reward will be earned through individual-, business-, or company-level performance criteria in 2021. The reward earned in 2021 will be converted to synthetic share units for an approximately two-year share price performance period. The reward is paid thereafter in cash in the spring of 2024, based on Neles' share value at the time of payment.

On February 4, 2021, Neles granted a PSP 2021–2023 plan to the members of the Neles Executive Management Team. The reward is based on the performance targets relative to the total shareholder return of Neles share and earnings per share (EPS) from 2021 to 2023. The reward earned will be paid in shares, and the aggregate maximum number of shares to be paid based on this plan is approximately 277,000 shares.

Additionally, the Board of Directors has decided to pay the earned reward of the DSUP 2018 plan in cash in July 2021. The amount of the cash reward to be paid to 16 persons will be based on the market value of 114,388 shares in the April 15, 2021–April 30, 2021 valuation period.

Neles originally announced the establishment of the long-term incentive scheme on July 1, 2020 and on December 15, 2020.

Neles share-based long-term incentive schemes are as follows:

Mar 31, 2021	Deferred Share Unit Plan 2019	Deferred Share Unit Plan 2021	PSP 2020–2022	PSP 2021–2023
Type of the plan	Equity	Cash	Equity	Equity
Maximum number of shares	69,415	-	280,000	277,000
Grant date	Mar 15, 2020	Jan 5, 2021	Oct 8, 2020	Feb 4, 2021
Grant price	8.10	-	11.58	10.71
Vesting date	May 13, 2022	Mar 31, 2024	Mar 5, 2023	Mar 13, 2024
Share incentives granted Jan 1, 2021	69,145	-	265,510	-
Granted	-	-	-	276,600
Forfeited, released	-	-	-	-
Share incentives granted Mar 31, 2021	69,415	-	265,510	276,600
Number of beneficiaries Mar 31, 2021	19	39	12	13
Neles Executive Team members	9	-	12	13
Other beneficiaries	10	39	-	-

Shares and share trading

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

A total of 24,101,615 Neles shares was traded on Nasdaq Helsinki in January–March 2021, and the value of shares traded was approximately EUR 254 million. Neles' market capitalization at the end of March 2021, excluding shares held by the Parent Company, was EUR 1,627 million.

Neles share performance on Nasdaq Helsinki, January 1–March 31, 2021

	1–3/2021
Closing price, Mar 31, 2021	10.83
Highest share price	11.58
Lowest share price	10.03
Volume-weighted average trading price	10.52

Flagging notifications in the reporting period

All flagging notifications received by Neles Oyj from its shareholders are available on the company's website at <https://www.neles.com/company/media/news/>.

Annual General Meeting, March 26, 2021

Neles Corporation's virtual Annual General Meeting (AGM) was held on March 26, 2021. The AGM granted the Company's Board of Directors and the President and CEO discharge from liability for the January 1, 2020 – December 31, 2020 financial period.

The majority of votes were against the approval of the Company's Remuneration Report in the advisory vote.

Dividend

Based on the shareholder vote concerning a minority dividend, the AGM 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 Companies Act. The amount of minority dividend is EUR 0.2205 per share. The dividend was paid on April 8, 2021.

Remuneration of members of the Board of Directors

The AGM decided in accordance with the proposal of the Shareholders' Nomination Board that the annual remuneration payable to the members of the Board of Directors for the upcoming term would remain unchanged as follows:

- Chair of the Board: EUR 115,000
- Vice-Chair of the Board: EUR 65,000
- Other members of the Board of Directors: EUR 50,000 each

It was further decided in accordance with the proposal of the Shareholders' Nomination Board that an additional annual remuneration be paid to the members of the Board of Directors who are elected as members of the Audit Committee and the Remuneration Committee as follows:

- Chair of the Audit Committee: EUR 15,000
- Members of the Audit Committee: EUR 7,500 each
- Chair of the Remuneration Committee: EUR 7,500
- Members of the Remuneration Committee: EUR 3,750 each

The AGM decided in accordance with the proposal of the Shareholders' Nomination Board that as a condition of the fixed annual remuneration, the members of the Board were obliged, directly based on the AGM's decision, to use approximately 40% of the total annual remuneration for purchasing the Company's shares from the market at a price formed in public trading, and that the purchase would be carried out within two weeks of the publication of the Company's Half Year Review. The Company will compensate the transaction costs and costs related to the applicable asset transfer tax arising from the share purchases. The tax deduction for the entire annual fee will be made from the cash amount.

It was further decided in accordance with the proposal of the Shareholders' Nomination Board that a meeting fee in the amount of EUR 800 would be paid for each virtual Board and Committee meeting. If the physical presence of the Board member is required, the meeting fee will be paid as follows:

- Board members residing in the Nordic countries: EUR 800 for each meeting
- Board Members residing in other European countries: EUR 1,600 for each meeting
- Board Members residing outside Europe: EUR 3,200 for each meeting.

The meeting fees will be paid in cash. Any travel expenses will be reimbursed according to the travel policy of the Company.

Composition of the Board of Directors

The AGM decided, in accordance with the proposal of the Shareholders' Nomination Board, that the number of members of the Board of Directors would be seven.

In accordance with the proposal of the Shareholders' Nomination Board, the AGM elected Jaakko Eskola as Chair of the Board of Directors, Perttu Louhiluoto as Vice Chair of the Board of Directors, and Anu Hämäläinen, Niko Pakalén, Teija Sarajärvi, Jukka Tiitinen and Mark Vernon as members of the Board of Directors.

The members of the Board of Directors are presented in more detail on Neles' website at: www.neles.com/investors/governance/board/

Election of Auditor and their remuneration

In accordance with the proposal of the Board of Directors, the AGM resolved to re-elect Ernst & Young Oy, authorized public accountants, as auditor for a term ending at the end of the following AGM. Ernst & Young Oy has notified that Toni Halonen, APA, will act as the principal auditor of the Company. The remuneration for the auditor will be paid against the invoice approved by the Audit Committee.

Authorizing the Board of Directors to decide on the repurchase of the Company's own shares

The AGM decided, in accordance with the proposal of the Board of Directors, to authorize the Board of Directors to decide on the repurchase of the Company's own shares as follows.

The number of the Company's own shares to be repurchased shall not exceed 5,000,000 shares, which corresponds to approximately 3.3 percent of all the shares in the Company. The Company's own shares can also be repurchased otherwise than in proportion to the shareholdings of the shareholders (directed repurchase). The Company's own shares can be repurchased using the unrestricted equity of the Company at a price formed in public trading on the date of the repurchase, or otherwise at a market-based price.

Shares may be repurchased to develop the Company's capital structure, to finance or carry out acquisitions, investments or other business transactions, or to use the shares as part of the Company's incentive schemes.

The Company's own repurchased shares may be held by the Company, canceled, or transferred further.

The Board of Directors was authorized to decide on all other matters related to the repurchase of the Company's own shares. The authorization is effective until June 30, 2022, and it cancels the authorization given by the AGM on June 16, 2020 to decide on the repurchase of the Company's own shares. This authorization has not been exercised by April 27, 2021.

Authorizing the Board of Directors to decide on the issuance of shares and the issuance of special rights entitling to shares

In accordance with the proposal by the Board of Directors, the AGM authorized the Board of Directors to decide on the issuance of shares as well as the issuance of the special rights entitling to shares referred to in Chapter 10, Section 1 of the Companies Act as follows.

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 shares in the Company.

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 AGM on June 16, 2020 to decide on the issuance of shares and the issuance of special rights entitling to shares. This authorization has not been exercised by April 27, 2021.

Amendment of the Articles of Association

The AGM decided that 8 § of the Articles of Association of the Company be amended to read as follows:

"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 website 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."

Organizing meeting

Anu Hämäläinen was appointed Chair of the Audit Committee, and Perttu Louhiluoto and Jukka Tiitinen as members of the Audit Committee.

Jaakko Eskola was appointed as Chair of the Remuneration Committee, and Niko Pakalén, Teija Sarajärvi and Mark Vernon as members of the Remuneration Committee.

Further details and the minutes of the AGM can be found on Neles' website.

<https://www.neles.com/investors/governance/agm/>

Other main events in Q1 2021

March 24: Neles gave notification of a temporary closure of its Brazilian supply center due to Covid-19 pandemic cases at the location. The temporary closure of the Brazilian supply center and the consequent delay in sales recognition to subsequent quarters, the timing of other deliveries in the order backlog and exchange rate fluctuations were estimated to have a negative impact on first quarter sales. Sales were estimated to have declined by approximately EUR 10 million or more compared to the first quarter of 2020. Delays in sales will be recovered during the rest of the year.

Events after the end of Q1 2021

April 19: Neles Corporation has received a tax decision and payment request of EUR 1.8 million from the Finnish Tax Authority regarding withholding taxes related to the 2015 and 2016 dividend payments. Neles considers the decision of the Finnish Tax Authority to be unfounded and intends to appeal against it. However, Neles will make the required payment in April 2021 to avoid incurring additional interest costs and increases during the appeals process.

Covid-19 pandemic update

In 2020, the Services and other MRO-driven businesses were negatively impacted by Covid-19 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 quarter of 2021, but uncertainties and risks in certain regions are expected to continue in the first half of 2021.

In the first quarter of 2021, Neles' Brazilian supply center was temporarily closed due to Covid-19 pandemic 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 with limited capacity, prioritizing the health and safety of the personnel. The deferred sales due to the facility's closure are expected to be recovered 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.

The global logistics situation continues to be challenging. The risk of delivery delays has increased toward the end of the first quarter.

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.

Short-term business risks and market uncertainties

In addition to risks related to the Covid-19 pandemic, increasing trade restrictions, inflation and the impact of tariffs or other trade barriers could pose challenges to Neles' supply chain and price management, impacting the company's growth capability and margins. Exchange rate fluctuations and changes in commodity prices could affect our orders received, sales and financial position. Neles hedges currency exposure linked to firm delivery and purchase agreements. Other market- and customer-related risks could also cause planned and ongoing projects to be postponed, delayed or discontinued. The global logistics situation continues to be challenging. The risk of delays in delivery has increased toward the end of the first quarter.

Uncertain market conditions could adversely affect our customers' payment behavior and increase the risk of lawsuits, claims and disputes against Neles in various countries related to Neles' products, projects and other operations, for example.

Market outlook

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.

Vantaa, April 27, 2021
Neles Corporation's Board of Directors

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Consolidated statement of income, IFRS

EUR million	1-3/21	1-3/20	1-12/20
Continuing operations			
Sales	129.1	136.8	576.3
Cost of goods sold	-88.5	-89.1	-386.1
Gross profit	40.6	47.7	190.2
Selling and marketing expenses	-14.2	-16.9	-65.3
Research and development expenses	-3.5	-4.2	-14.2
Administrative expenses	-7.6	-9.2	-38.6
Other operating income and expenses, net	-0.3	-2.8	-1.8
Operating profit	15.1	14.5	70.3
Financial income and expenses, net	-1.0	-0.8	-6.5
Profit before taxes	14.1	13.7	63.8
Income taxes	-3.4	-3.3	-15.6
Profit for the period, continuing operations	10.6	10.4	48.2
Profit for the period, discontinued operations	-	58.2	2,149.6
Profit for the period	10.6	68.6	2,197.8
Profit attributable to, continuing operations			
Shareholders of the parent company	10.6	10.4	48.2
Non-controlling interests	-	-	-
Profit attributable to, discontinued operations			
Shareholders of the parent company	-	57.9	2,149.1
Non-controlling interests	-	0.3	0.5
Profit attributable to			
Shareholders of the parent company	10.6	68.3	2,197.3
Non-controlling interests	-	0.3	0.5
Earnings per share, EUR			
Basic and diluted, continuing operations	0.07	0.07	0.32
Basic and diluted, discontinued operations	-	0.39	14.31
Basic and diluted	0.07	0.46	14.63

Consolidated statement of comprehensive income, IFRS

EUR million	1-3/21	1-3/20	1-12/20
Continuing operations			
Profit for the period	10.6	10.4	48.2
Other comprehensive income			
Measurement at fair value, net of tax	-	0.0	-
Currency translation on subsidiary net investments	10.6	-0.9	-15.6
Items that may be reclassified to profit or loss in subsequent periods	10.6	-0.9	-15.6
Defined benefit plan actuarial gains and losses, net of tax	-	0.0	2.2
Items that will not be reclassified to profit or loss	-	0.0	2.2
Other comprehensive income total	10.6	-0.9	-13.4
Total comprehensive income, continuing operations	21.2	9.5	34.8
Profit attributable to, continued operations			
Shareholders of the parent company	21.2	9.5	34.8
Non-controlling interests	-	-	-
Total comprehensive income, discontinued operations	-	10.3	2,098.3
Profit attributable to, discontinued operations			
Shareholders of the parent company	-	10.0	2,097.9
Non-controlling interests	-	0.3	0.5
Total comprehensive income	21.2	19.9	2,133.2
Profit attributable to			
Shareholders of the parent company	21.2	19.6	2,132.7
Non-controlling interests	-	0.3	0.5

Consolidated Balance Sheet – Assets, IFRS

EUR million	3/21	3/20	12/20
Non-current assets			
Intangible assets			
Goodwill	59.4	61.3	57.3
Other intangible assets	17.0	18.0	16.6
Total intangible assets	76.4	79.2	73.9
Tangible assets			
Land and water areas	5.7	6.0	5.5
Buildings and structures	22.5	19.8	22.1
Machinery and equipment	30.5	27.4	30.5
Assets under construction	3.7	12.2	4.2
Total tangible assets	62.3	65.5	62.3
Right-of-use assets	49.7	42.7	50.5
Other non-current assets			
Non-current financial assets	0.7	0.2	0.2
Deferred tax asset	18.9	16.0	17.9
Other non-current receivables	12.3	1.6	12.0
Total other non-current assets	31.9	17.8	30.6
Total non-current assets	220.3	205.2	217.3
Current assets			
Inventories	172.8	195.2	160.3
Trade receivables	80.9	89.7	88.9
Derivative financial instruments	-	-	0.0
Income tax receivables	4.3	1.8	4.0
Other current receivables	39.3	32.5	37.4
Cash and cash equivalents	158.0	121.2	135.9
Total current assets	455.3	440.4	426.5
Assets, discontinued operations	-	3,358.9	-
TOTAL ASSETS	675.6	4,004.6	643.8

Consolidated Balance Sheet – Equity and liabilities, IFRS

EUR million	3/21	3/20	12/20
Equity			
Share capital	51.0	141.0	51.0
Treasury shares	-3.3	-3.3	-3.3
Cumulative translation adjustments	46.7	50.6	36.1
Fair value and other reserves	30.0	302.7	31.3
Discontinued operations	-	-202.8	-
Retained earnings	125.9	1,254.6	148.0
Equity attributable to shareholders	250.2	1,542.7	263.0
Non-controlling interests	0.1	2.6	0.1
Total equity	250.4	1,545.3	263.1
Liabilities			
Non-current liabilities			
Interest bearing liabilities	149.8	149.6	149.7
Lease liabilities	40.1	34.4	40.7
Post-employment benefit obligations	22.0	9.3	20.7
Provisions	1.3	1.4	2.4
Deferred tax liability	3.8	3.9	2.7
Other non-current liabilities	0.3	0.3	0.3
Total non-current liabilities	217.3	199.0	216.4
Current liabilities			
Interest bearing liabilities	21.1	19.9	16.1
Lease liabilities	10.8	8.8	10.8
Trade payables	56.2	51.6	59.9
Provisions	9.6	11.2	8.6
Advances received	32.2	25.0	26.7
Derivative financial instruments	0.9	0.1	1.4
Income tax liabilities	7.9	6.3	5.4
Other current liabilities	69.2	18.7	35.4
Total current liabilities	207.9	141.7	164.3
Total liabilities	425.2	340.7	380.7
Liabilities, discontinued operations	-	2,118.6	-
TOTAL EQUITY AND LIABILITIES	675.6	4,004.6	643.8

Net interest-bearing liabilities

EUR million	3/21	3/20	12/20
Interest bearing liabilities	170.7	169.5	165.9
Lease liabilities	50.8	43.2	51.5
Other interest bearing assets	-0.5	-	-
Cash and cash equivalents	-158.0	-121.2	-135.9
Net interest-bearing liabilities	63.0	91.6	81.4

Consolidated statement of changes in shareholders' equity, IFRS

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

EUR million	Share capital	Treasury shares	Cumulative translation adjustments	Fair value and other reserves	Discontinued operations	Retained earnings	Equity attributable to shareholders	Non-controlling interests	Total equity
Jan 1, 2020	141.0	-6.2	51.7	303.8	-154.8	1,187.5	1,522.9	2.8	1,525.7
Profit for the period, continuing operations	-	-	-	-	-	10.4	10.4	-	10.4
Profit for the period, discontinued operations	-	-	-	-	-	58.2	58.2	0.3	58.5
Other comprehensive income									
Cash flow hedges, net of tax	-	-	-	-0.2	-	-	-0.2	-	-0.2
Currency translation on subsidiary net investments	-	-	-48.9	-	-	-	-48.9	0.0	-48.9
Discontinued operations	-	-	47.9	0.2	-48.0	-	-	-	-
Total comprehensive income	-	-	-1.1	0.0	-48.0	68.6	19.5	0.3	19.9
Dividends	-	-	-	-	-	-	-	-	-
Share-based payments, net of tax	-	2.9	-	-1.9	-	-4.5	-3.5	-	-3.5
Other items	-	-	-	0.9	-	3.0	3.9	-0.6	3.3
Mar 31, 2020	141.0	-3.3	50.6	302.7	-202.8	1,254.6	1,542.7	2.6	1,545.3

Consolidated statement of cash flows, IFRS

EUR million	1-3/21	1-3/20	1-12/20
Operating activities			
Profit for the period, continuing operations	10.6	10.4	48.2
Profit for the period, discontinued operations	-	58.2	2,149.6
Adjustments			
Depreciation and amortization	6.2	5.9	24.5
Financial expenses, net	1.0	2.4	17.5
Income taxes	3.4	22.5	62.9
Fair value of distributed net assets in the demerger	-	-	-2,022.2
Other items	1.5	0.9	5.4
Change in net working capital	1.2	17.1	202.6
Net cash flow from operating activities before financial items and taxes	24.0	117.7	488.4
Financial income and expenses paid, net	-0.5	-3.9	-21.4
Income taxes paid	-2.1	-24.6	-51.4
Net cash flow from operating activities	21.5	89.3	415.7
Investing activities			
Capital expenditures on intangible and tangible assets	-1.8	-26.3	-54.3
Proceeds from sale of intangible and tangible assets	-0.1	1.2	1.1
Business acquisitions, net of cash acquired	-	0.9	0.9
Net cash flow from investing activities	-1.9	-24.2	-52.3
Financing activities			
Dividends paid	-	-	-220.8
Investments in financial assets	0.0	-	-0.5
Proceeds from and repayment of debt, net	4.1	150.8	142.4
Repayments of lease liabilities	-2.8	-8.7	-23.4
Financing, Metso Group	-	-	-13.9
Net cash flow from financing activities	1.3	142.0	-116.2
Net change in cash and cash equivalents	20.9	207.1	247.6
Effect from changes in exchange rates	1.0	-7.4	-12.4
Cash and cash equivalents transferred in demerger	-	-	-312.4
Cash and cash equivalents at beginning of period	135.9	213.1	213.1
Cash and cash equivalents at end of period	157.8	412.9	135.9
Cash and cash equivalents at end of period, continuing operations	-	121.2	-
Cash and cash equivalents at end of period, discontinued operations	-	291.7	-

In 2020, the IFRS cash flow statement includes both cash flows from continuing Neles operations for the full year 2020 and from discontinued Metso Minerals operations for the January 1–June 30, 2020 period.

Analysis of consolidated balance sheet - Assets

This analysis table shows a comparable Neles balance sheet for the 3/2020 comparison period in addition to IFRS financial information.

EUR million	Neles 3/21	Continuing operations 3/20	Neles 12/20
Non-current assets			
Intangible assets			
Goodwill	59.4	61.3	57.3
Other intangible assets	17.0	18.0	16.6
Total intangible assets	76.4	79.2	73.9
Tangible assets			
Land and water areas	5.7	6.0	5.5
Buildings and structures	22.5	19.8	22.1
Machinery and equipment	30.5	27.4	30.5
Assets under construction	3.7	12.2	4.2
Total tangible assets	62.3	65.5	62.3
Right-of-use assets	49.7	42.7	50.5
Other non-current assets			
Non-current financial assets	0.7	0.2	0.2
Deferred tax asset	18.9	16.0	17.9
Other non-current receivables	12.3	1.6	12.0
Total other non-current assets	31.9	17.8	30.6
Total non-current assets	220.3	205.2	217.3
Current assets			
Inventories	172.8	195.2	160.3
Trade receivables	80.9	89.7	88.9
Derivative financial instruments	-	-	0.0
Income tax receivables	4.3	1.8	4.0
Other current receivables	39.3	32.5	37.4
Cash and cash equivalents	158.0	121.2	135.9
Total current assets	455.3	440.4	426.5
TOTAL ASSETS	675.6	645.6	643.8

Analysis of consolidated balance sheet – Equity and liabilities

This analysis table shows a comparable Neles balance sheet for the 3/2020 comparison period in addition to IFRS financial information.

EUR million	Neles 3/21	Continuing operations 3/20	Neles 12/20
Equity			
Share capital	51.0	141.0	51.0
Treasury shares	-3.3	-3.3	-3.3
Cumulative translation adjustments	46.7	-152.2	36.1
Fair value and other reserves	30.0	302.7	31.3
Retained earnings	125.9	1,254.6	148.0
Equity attributable to shareholders	250.2	1,542.7	263.0
Non-controlling interests	0.1	2.6	0.1
Total equity	250.4	1,545.3	263.1
Equity for discontinued operations	-	-1,240.3	-
Total equity, continuing operations	250.4	305.0	263.1
Liabilities			
Non-current liabilities			
Interest bearing liabilities	149.8	149.6	149.7
Lease liabilities	40.1	34.4	40.7
Post-employment benefit obligations	22.0	9.3	20.7
Provisions	1.3	1.4	2.4
Deferred tax liability	3.8	3.9	2.7
Other non-current liabilities	0.3	0.3	0.3
Total non-current liabilities	217.3	199.0	216.4
Current liabilities			
Interest bearing liabilities	21.1	19.9	16.1
Lease liabilities	10.8	8.8	10.8
Trade payables	56.2	51.6	59.9
Provisions	9.6	11.2	8.6
Advances received	32.2	25.0	26.7
Derivative financial instruments	0.9	0.1	1.4
Income tax liabilities	7.9	6.3	5.4
Other current liabilities	69.2	18.7	35.4
Total current liabilities	207.9	141.7	164.3
Total liabilities	425.2	340.7	380.7
TOTAL EQUITY AND LIABILITIES	675.6	645.6	643.8

Net interest bearing liabilities

EUR million	Neles 3/21	Neles 12/20
Interest bearing liabilities	170.7	165.9
Lease liabilities	50.8	51.5
Other interest bearing assets	-0.5	-
Cash and cash equivalents	-158.0	-135.9
Net interest bearing liabilities	63.0	81.4

Analysis of consolidated statement of cash flows of continued Neles operations

This analysis table shows the continuing Neles cash flow statements for the 3/2020 and 1–12/2020 periods in this January 1–March 31, 2021 interim report, in addition to IFRS financial information.

EUR million	1–3/21	1–3/20	1–12/20
Operating activities			
Profit for the period	10.6	10.4	48.2
Adjustments			
Depreciation and amortization	6.2	5.9	24.5
Financial expenses, net	1.0	0.8	6.5
Income taxes	3.4	3.3	15.6
Other items	1.5	-0.1	-12.6
Change in net working capital	1.2	-38.3	17.1 ¹
Net cash flow from operating activities before financial items and taxes	24.0	-18.5	99.2
Financial income and expenses paid, net	-0.5	0.2	-6.4
Income taxes paid	-2.1	-5.3	-11.8
Net cash flow from operating activities	21.5	-23.6	81.1
Investing activities			
Capital expenditures on intangible and tangible assets	-1.8	-0.7	-12.6
Proceeds from sale of intangible and tangible assets	-0.1	0.4	0.2
Acquisitions/divestments, Metso Group	-	-	-
Net cash flow from investing activities	-1.9	-0.3	-12.4
Financing activities			
Dividends paid	-	-	-44.2
Investments in financial assets	0.0	-	-0.5
Proceeds from/repayments of short-term debt, net	4.2	0.7	-2.1
Proceeds from/repayment of long-term debt, net	0.0	-	-
Financing, Metso group	-	91.7	70.6 ¹
Lease payments	-2.8	-3.7	-11.3
Net cash flow from financing activities	1.3	88.6	12.6
Net change in cash and cash equivalents	20.9	64.7	81.3
Effect from changes in exchange rates	1.0	-0.3	-2.1
Cash and cash equivalents at beginning of period	135.9	56.7	56.7
Cash and cash equivalents at end of period	157.8	121.2	135.9

Free cash flow

EUR million	1–3/21	1–3/20	1–12/20
Cash flow from operating activities	21.5	-23.6	81.1
Capital expenditures on intangible and tangible assets	-1.8	-0.7	-12.6
Proceeds from sale of intangible and tangible assets	-0.1	0.4	0.2
Free cash flow	19.6	-23.9	68.7

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

Notes to the Interim Review

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1. Basis of preparation

This Financial Statement review has been prepared in accordance with IAS 34 *Interim Financial Reporting*, applying the accounting policies in the Financial Statements 2020 of Neles Group. New accounting standards have been adopted as described in note 2. This Interim Review is unaudited.

The partial demerger of Metso Group was effective on June 30, 2020 and the continuing group was renamed the Neles Group. Neles Group is reported as continuing operations and separated Metso Minerals operations and a proportioned share of *Group Head office and other* for the January 1–June 30, 2020 period as discontinued operations in the income statement. From June 30, 2020, Neles Group is reported as one segment.

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

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

2. New accounting standards

New and amended standards adopted in 2021

Neles has applied the following revised IFRS Standards that have been effective since January 1, 2021. These amendments have not had a material impact on the reported figures.

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform Phase 2

3. Key figures

	1–3/21	1–3/20	1–12/20
EUR million			
Sales	129.1	136.8	576.3
Services sales	31.3	29.4	128.6
% of sales	24.3	21.5	22.3
Adjusted EBITA	15.9	16.7	85.0
% of sales	12.3	12.2	14.8
Operating profit	15.1	14.5	70.3
% of sales	11.7	10.6	12.2
Profit for the period, continuing operations	10.6	10.4	48.2
Profit for the period, discontinued operations	-	58.2	2,149.6
Profit for the period	10.6	68.6	2,197.8
Earnings per share			
Continuing operations:			
Earnings per share, basic, EUR	0.07	0.07	0.32
Earnings per share, diluted, EUR	0.07	0.07	0.32
Discontinued operations:			
Earnings per share, basic, EUR	-	0.39	14.31
Earnings per share, diluted, EUR	-	0.39	14.31
Total:			
Earnings per share, basic, EUR	0.07	0.46	14.63
Earnings per share, diluted, EUR	0.07	0.46	14.63
Cash flow			
Free cash flow, continuing, EUR million	19.6	-23.9	68.7
Free cash flow/share, continuing, EUR	0.13	-0.16	0.46
R&D expenditure, EUR million	6.4	6.3	17.6
% of sales	5.0	4.6	3.1
Gross capital expenditure, EUR million	1.8	1.5	12.6
% of sales	1.4	1.1	2.2
Amortization, EUR million	0.8	0.8	3.4
Depreciation of tangible assets, EUR million	2.5	2.3	9.1
Depreciation of right-of-use assets, EUR million	2.9	2.7	11.9
Adjustment items, EUR million ¹	-	1.3	11.3
Balance sheet			
Balance sheet total, EUR million	675.6	4,004.6	643.8
Equity attributable to shareholders, EUR million	250.2	1,542.7	263.0
Equity per share, EUR	1.67	10.27	1.72
Equity-to-assets ratio, %	38.9	38.8	42.6
Net debt, EUR million	63.0	91.6	81.4
Gearing, %	25.2	5.9	30.9
Net debt / EBITDA	0.7	0.7	0.9
Debt to capital ratio, %	46.9	12.1	45.2
Number of outstanding shares at end of period (thousands)	150,197.9	150,197.9	150,197.9
Average number of shares (thousands)	150,197.9	150,123.0	150,179.3
Average number of diluted shares (thousands)	150,197.9	150,177.1	150,179.3
Personnel at the end of period	2,825	2,872	2,840

¹ Adjusting items are attributable to advisory, brand, IT and other costs related to the creation and rebranding of independent Neles, or restructuring costs, outcome of material intellectual property rights disputes, gains and losses on business disposals, and other infrequent events.

Formulas for key figures

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

4. Disaggregation of sales

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

External sales by product type

EUR million	1-3/21	1-3/20	1-12/20
Products/equipment	97.7	107.4	447.8
Services	31.3	29.4	128.6
Sales total	129.1	136.8	576.4

External sales by geographical area

EUR million	1-3/21	1-3/20	1-12/20
EMEIA	52.3	52.2	223.0
North America	43.6	52.8	166.5
South America	13.6	7.5	56.9
Asia-Pacific	19.6	24.3	130.0
Sales total	129.1	136.8	576.4

5. Reconciliation of adjusted EBITA and operating profit

EUR million	1-3/21	1-3/20	1-12/20
Adjusted EBITA	15.9	16.7	85.0
% of sales	12.3	12.2	14.8
Amortizations	-0.8	-0.8	-3.4
Adjustments			
- Restructuring costs	-	-	-1.4
- Rebranding and establishing costs	-	-1.3	-9.9
Adjustments, total	-	-1.3	-11.3
Operating profit	15.1	14.5	70.3
% of sales	11.7	10.6	12.2

6. Fair value estimation

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

- Level 1 Quoted unadjusted prices at the balance sheet date in active markets. The market prices are readily and regularly available from an exchange, dealer, broker, market information service system, pricing service or regulatory agency. The quoted market price used for financial assets is the current bid price. Level 1 financial instruments include debt and equity investments classified as financial instruments at fair value through profit and loss.
- Level 2 The fair value of financial instruments in Level 2 is determined using valuation techniques. These techniques utilize observable market data readily and regularly available from an exchange, dealer, broker, market information service system, pricing service or regulatory agency. Level 2 financial instruments include:
- Over-the-counter derivatives classified as financial assets/liabilities at fair value through profit and loss or qualified for hedge accounting

- Debt securities classified as financial instruments at fair value through profit and loss
- Fixed rate debt under fair value hedge accounting

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

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

EUR million	3/21			12/20		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Financial assets at fair value through profit and loss						
Derivatives not under hedge accounting	-	2.2	-	-	1.2	-
Total	-	2.2	-	-	1.2	-
Liabilities						
Financial liabilities at fair value through profit and loss						
Derivatives not under hedge accounting	-	1.0	-	-	1.5	-
Total	-	1.0	-	-	1.5	-

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

7. Notional amounts of derivative instruments

EUR million	3/21	12/20
Nickel swap contracts	0.3	0.4

The notional amounts are 290 tons (360 tons in 2020), which indicate the volumes in the use of derivatives, but not the exposure to risk.

8. Contingent liabilities and other commitments

EUR million	3/21	12/20
Guarantees		
External guarantees given by parent and group companies	45.4	43.8
Other commitments		
Repurchase commitments	9.9	9.8
Other contingencies	1.4	1.4
Total	56.8	55.1

9. Quarterly information

EUR million, %	1–3/21	10–12/20	7–9/20	4–6/20	1–3/20	10–12/19	7–9/19	4–6/19	1–3/19
Orders received	153.9	134.5	133.8	130.9	190.9	154.2	171.4	165.0	190.7
Order backlog	298.4	270.3	292.8	305.3	337.4	279.8	295.5	297.9	310.4
Sales	129.1	154.9	144.0	140.6	136.8	166.2	170.5	167.7	155.2
Adjusted EBITA	15.9	22.7	22.8	22.9	16.7	18.1	28.3	27.2	22.7
% of sales	12.3	14.6	15.8	16.3	12.2	10.9	16.6	16.2	14.6
Amortization	0.8	0.9	1.0	0.8	0.8	0.9	1.1	0.9	1.0
Adjustment items	-	3.3	2.4	4.3	1.3	-	-	-	-
Operating profit	15.1	18.5	19.5	17.8	14.5	17.2	27.3	26.3	21.7
% of sales	11.7	12.0	13.5	12.6	10.6	10.4	16.0	15.7	14.0
Earning per share, EUR	0.07	0.08	0.09	0.08	0.07	0.08	0.15	0.13	0.09

10. Exchange rates

Currency	1–3/21	1–3/20	1–12/20	3/21	3/20	12/20
USD (US dollar)	1.2063	1.1055	1.1452	1.1725	1.0956	1.2271
BRL (Brazilian real)	6.6089	4.9637	5.8847	6.7409	5.7001	6.3735
INR (Indian rupee)	88.3705	80.3190	84.5785	85.8130	82.8985	89.6605
CNY (Chinese yuan)	7.8367	7.7329	7.8916	7.6812	7.7784	8.0225
SGD (Singapore dollar)	1.6053	1.5288	1.5735	1.5768	1.5633	1.6218
SEK (Swedish krona)	10.1306	10.7147	10.4789	10.2383	11.0613	10.0343
GBP (Pound sterling)	0.8764	0.8580	0.8864	0.8521	0.8864	0.8990
CAD (Canadian dollar)	1.5317	1.4900	1.5320	1.4782	1.5617	1.5633

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

Such factors include, but are not limited to:

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

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