

Transcript – Valmet CMD 2023

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Pekka Rouhiainen: Welcome to Valmet Capital Markets Day 2023. My name is Pekka Rouhiainen and I'm the Head of Investor Relations here at Valmet and today I will also be moderating this event. It's great to see a full room of people here at Hanasaari. We hopefully have a large virtual audience present today as well. Valmet became an independent company nine years ago, and during these years, the development of Valmet has been rather strong. The profitability has grown and net sales have grown as well. Going forward, we can see several megatrends supporting Valmet's growth and we have new sustainable innovation to grow as well. Today, Valmet consists of three strong segments, services, automation, and process technologies. Today's agenda is built around Valmet's new segment structure. If we then take a look at the agenda of today, the day will start with opening words by the president and CEO, Pasi Laine.

Pekka Rouhiainen: Then we will first go to the services segment presented by Aki Niemi, followed by a Q&A session. After that there will be presentations on the automation segment on flow control by Simo Säaskilahti, and Automation Systems by Emilia Tortilla Miettinen. There will be after that a joint Q&A session for Simo and Emilia. After automation, there will be a 25 minute break. Here at Hanasaari there's a chance to see 3D molded fiber products here in the hall and clothes made using recycled and Spinnova fabrics. After the break, we will then resume at 1:55 and go to the process technology segment presentations by Jari Vahapesola on paper, and then by Sami Riekkola on pulp and energy, and then a joint Q&A session for Sami and Jari on process technologies. After that, Katri Hokkanen Valmet's CFO will be presenting and today will be concluded on the presentation by Pasi Laine, the President and CEO of Parliament. After Pasi's presentation, there will be ample time, around half an hour for Q&A session for CEO and CFO, but also you can then address questions to the other presenters as well.

Pekka Rouhiainen: All the presentations will last for approximately 15 minutes and we have reserved another 15 minutes for the Q&A sessions. Also the webcast audience can post questions through the platform and I will be reading them to the presenters. Then after each presentation, there is a poll question popping up to the virtual audience, and then everybody here have a paper with a poll question, so please answer those. We would highly appreciate your feedback. However, that's it for the introduction. Pasi, the stage is yours.

Pasi Laine: Thank you, Pekka. Nice to be here again in a capital markets day for Valmet. This is a little bit of a special day for CEO and CFO because normally, all analysts and investors

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who are making the questions to Katri and myself and now we have the pleasure that you can put the press on my colleagues. It's a relaxing day actually for us and I'm sure that it's exciting day for my colleagues. Good. Then, of course, it's very nice to have our new management team here. You will meet new faces here and you can challenge new faces. It's of course nice to have the introductory of the team to you in this meeting. First, I'll go through the general story to get everybody on the same page with Valmet. Valmet has a unique offering and the offering is widest in the market. My colleagues will go through that more in detail. However, we make board paper and tissue machines, we make pulp mills, we make bio boilers for energy production. That's the widest offering anybody has in this industry. Then, because we have the widest offering, our services offering is the widest as well, because we do the services for the technologies on what we offer. Then during the nine years we have been able to build a third leg environment called automation segment.

Pasi Laine: Then we have automation systems business since 2015, and now last year we merged with Neles and now we have flow controls there as well. We have very good offering for automation as well. For pulp, paper, and energy customers, we can offer service and products and technology from all these corners and cover all the needs of the customers. However, automation has special roles. Automation is of course serving with its product, big variety of industries. However, our offering is good and serves very well the needs of our customer base. Then, like Pekka mentioned, we have had reasonably good development environment. We started as a company with a net sales of about 2.5 billion order intake close by as well. Our EBITA was 50 million and EBITA margin before the non-recurring cost was about two percent. Now what has happened over the years because of the organic growth and because of acquisitions and mergers, our net order intake and net sales has climbed to a little bit over five billion Euros. We have doubled the size of the company.

Pasi Laine: Comparable EBITA has been growing from 50 million, 53 million, if I remember correctly, to 533 million. It's 10 times more than it was in the beginning of Valmet. Comparable EBITA margin, like I said, was two percent in the beginning and then it climbed up to 11 and then there is a disappointing figure, 10.5, which I don't like too much, but sometimes you fail in your target setting and it was only 10.5 percent but my colleagues will tell how we try to turn the development back to positive trend again. All in all, I think we can be reasonably satisfied with the development of Valmet after the demerge. Katri will go through the numbers more in details but just as a summary, again, to get everybody on the same page, our orders received last year was about 5.2 billion, net sales about 5.1 billion, EBITA 533 million. We employed about 17,500 people. Net sales wise by the segments were such that the process technologies contributed a little bit less than a half, 48 percent, services 32 percent, and automation 20 percent. In this automation there are only three quarters of flow controls included.

Pasi Laine: Geographically, we have good distribution of the activities, so we are strong here in Europe, 37 percent. North America was strong last year, 21 percent. However, this South America, China, Asia Pacific, which all are in the long term growing markets. We had very

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good position. From 12 to 16 percent and net sales was coming from those ones. I think one of the strengths of Valmet is that we have good segments which can be balancing each other. Then we are strong in all the corners of the world with balanced business volumes. Then sustainability is important topic and we have mentioned the word sustainability in our mission statement as well. That's why we have taken sustainability very seriously from the beginning of 2014. We are very proud that we have been included now nine times in a row in Dow Jones Global Sustainability Index, where roughly 300 most advanced sustainability companies are included. We have done that now nine times, nine years in a row. I think it's a good achievement. Of course, we have been getting some other good ratings as well but somehow this Dow Jones is very good achievement by our organization.

Pasi Laine: We are managing our sustainability as part of normal management so we don't have management and then sustainability management. We have just one management system and we have included all these activities in the normal management. We launched a new concept a couple of years ago and there we have environmental actions, social actions, and governance actions. In environmental we have circularity. Our industry is based on circular, so biomass is circulating in the globe. Then we have climate action and environmental efficiency actions and my colleagues will tell examples of what we are doing there. Then we are talking about social impact, so engaged workplace, health and safety, and corporate citizenship. Then on governance side, ethical business practices, sustainability in supply chain, and transparent reporting. All these activities are included in the normal management in the company and are not managed as a separate topic. Then one subsegment of this ESG is climate. In climate, Valmet has a climate program. We have set the following targets to ourselves with which targets should be reached by 2030.

Pasi Laine: First, in supply chains, we want to reduce the emissions of our supply chain by 20 percent. Then we, of course, have to work with what kind of steel we are using and what kind of transportation we are using and so on. Many activities there to decrease the CO² emissions in supply chain. Then in our own operation, we want to reduce CO² emissions by 80 percent. We have been using fossil fuels and we have to get rid of it and replace that with CO² neutral electricity and CO² neutral heat, and so we can reduce the CO² emissions in our own operations. Then, of course, the biggest impact, what we have is in the use phase of our technologies. The target setting there is such that we have to reduce 20 percent from the existing level to see energy and energy use in the production of paperboard or tissue or whatever our end product is or customer's end product is. I will tell some examples how much we have been able to do that during the last ten years. Twenty percent is the target. Then other target is that we have to give our customers opportunity to choose 100 percent carbon neutral production if they want to produce pulp paper, tissue board or bioenergy.

Pasi Laine: Then it's of course up to them whether they choose to select those technologies, but we have to have the technologies available by which the customers can use to make their production 100 percent carbon neutral. Those are the target settings and we are working towards these. Then of course, R&D is important topic, not only because of the

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sustainability but because of competitiveness and innovation and growth on many aspects. In R&D, we are focusing in topics like promotion of renewable materials. Like we have two new examples here today, what you can see. Then of course, raw material, water, and energy efficiency are important. If you reduce raw material used to make same kind of product and of course everybody is saving, then emission reduction is important topic circularity. The raw material has to circulate as many times in the loop as possible and then productivity and environmental improvement with digitalization. We have 28 research centers and we have several pilot machines. Our pilot machines are machines where we can test actually all the applications.

Pasi Laine: What we have before we test them with the customers and that gives us a good competitive advantage. Last year we spent 95 million Euros in R&D, so we are not putting in the balance sheet. We spent it. Again, if you calculate the whole year flow controls, then it's about 100 million. We spend quite much every year in R&D to keep us developing well in the future as well. Our strategy has been almost the same now for nine years with some modifications. Like I said, our mission is to convert renewable resources into sustainable results. We thought in 2013, that it's a good place for Valmet and we still think that it's a good place for a company to be. In strategy, we have modified the sentences a little bit. Valmet develops and supplies competitive and reliable process technology services and automation to the pulp, paper, and energy industries. There we work with the whole offering. Then we are saying that our automation business covers a wide base of global process industry. Automation has a lot of wider customer base than the rest of the Valmet.

Pasi Laine: Then important topic, we are committed to moving our customers performance forward with our unique offering a way to serve. All the time we have to think on how we can improve the customers performance. If we manage to do that, then of course we will be successful in the future as well. Now we built up quite solid way on how to manage the strategy downwards in the organization and we are talking about continuous improvement and continuous renewal. We have selected topics like customer excellence, leader in technology, innovation excellence process, and winning team. In those topics, we have been now working several years. We have of course improved a lot, but we still need room for improvement. Those topics are such that they are actually never ready. You can never say that your technology is ready or that your processes are so excellent that you can't do anything anymore. We still see after nine years room for improvement and all these items, even if we have improved a lot. Our vision is to become global champion in serving our customers and moving the industry forward.

Pasi Laine: We want to place ourselves under the customer because if you are successful, then there is a risk that you become arrogant. In vision statement, we clearly say that we are here to serve somebody, which means that we are under somebody. That's to remind us that even if we are successful, we should not become arrogant. Because if you become arrogant, then it doesn't make too many quarters and then your results are not that good anymore. Then today, my colleagues are giving good presentations and here are some

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highlights. There are a lot of more highlights as well, but some highlights of what we are talking about. We are presenting on what we offer and what we have. You will see examples on everything Valmet is doing and can do. Then in process technologies, we are telling how the market has been developing, why it has been growing and why there is so much rebuilt market and replacement market as well. The presentation is giving, like Pekka said by Sami and Jari. Then Aki is telling about the large and growing global installed base, which is then helping us to develop services further in automation.

Pasi Laine: Simo is talking on what are the growth aspects for the industry and how we can continue to grow and keep profitability. Then, some of the presentations will include also some things like what new we have been launching to the markets. Then, as a summary, we are saying that Valmet is working on markets which have positive megatrends and we have good strategy to renew and continue to develop our operation. That's why we see that the future for Valmet will be successful as well. Good. That was my part and then I have pleasure to announce Aki as the next speaker.

Aki Niemi: Good afternoon. Service segment, orders received was 1,756,000,000, and net sales was 1,606,000,000. EBITA was 237,000,014.8 percent. Services: Demand driven by large and growing global installed base. We are operating in a large and growing market and we have proven track record on continuous market share growth. We have the widest offering in the market, enabling good growth opportunities to grow market share with our customers. We are serving all key corporations in all main markets with our strong local teams. We have a solid track record for profitable growth during the past ten years. We have grown over twice the market growth. First, some key information about the market development. We are operating in a very large pulp, board, and paper market. Production is still growing with the estimated pace of about two percent. Service market is also large, about 8 billion Euros. It has been growing one to two percent on average and has had relatively stable development.

Aki Niemi: Our market share has grown steadily through organic growth and acquisitions to an estimated 21 percent. Megatrends, e-commerce, urbanization, and replacing plastics are supporting further market development for pulp, paper, board, and bioenergy. Service demand is growing due to multiple reasons. Sustainability, digitalization, need for efficiency and safety drive demand for services. Customers focus on core business challenges with getting skilled workforce, drive, digitalization, and expert services. Decline of graphical paper will continue in the future. However, all in all, market is large and it is growing. Next, I will share some key figures for services. Stable growth in orders and net sales during the past ten years. Jaeger has been five to six percent. We have grown from 1 billion to close to 1.8 billion. Performance parts is clearly the largest business unit. Other business units are quite equal in size, fabrics being the smallest with 13 percent. Armagh and North America are the largest markets, forming about 70 percent of our orders. China, South Pacific, and South America are quite equal in orders around 10 percent each.

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Aki Niemi: Pulp and board form over 70 percent of our market. Paper is 20 percent and tissue and energy are around five percent each. Then short introduction to our offering. We have five business units with strong and market's widest offering for our customers. Spare part business unit is offering spare parts and process consumables. Our competitive advantage is large installed base, high quality, and process knowledge that supports process consumables business. Fabrics Business unit is also offering process consumables, fabrics for pulp and paper industries, and filtration products to many industries, including pulp and paper, energy, mining, and chemicals. Paper machine clothing is used to transfer the moist and weak paper web through the machine. Fabrics are changed with the interval of some weeks to a year. Our strength is application expertise, high quality, and high market share in new projects. Roles and workshop services are offering workshop services for all, covering role maintenance and fibre processing equipment. Paper and board machine has tens of rotating roles inside the machine for paper web transfer with the help of fabrics.

Aki Niemi: We have a strong network of workshops in all key markets. We have leading technology and strong references. Board, paper and tissue solutions and pulp and energy solutions are offering field services, improvement projects, and expert services for our customers. Our strength is large installed base, technology leadership, and project excellence with strong references. I will share more details about our business units, areas and customer segments and their performance. First, I will start with business units or product perspective. As you can see, all business units have been growing and we have been able to grow minimum twice the market growth in all businesses. In performance parts, we have doubled our business volume with organic growth and acquisitions. Jager has been almost nine percent in ten years. We have grown with systematic sales, successful trial runs, investments and some acquisitions. Fabrics business unit is having gager of three four percent. Key actions for growth are increasing agreements, mining focus at filtration, and investment in capacity.

Aki Niemi: Roles and workshop services have grown 4.6 percent gager. We have grown with agreements, replacement equipment, business and focus on maintenance of pulping equipment. Board, paper, and tissue solutions have gager of 3.4 percent. Key actions for growth have been field service, local capability development, and performance agreements. Development in pulp and energy solutions has been faster than the average gager exceeding eight percent. Key actions for growth have been also field service and local capability development and also process and reliability services. Next, some key data about global service market. Strong area organization is a competitive advantage for us. We have almost 100 service locations, eight performance centers, and 6,300 service professionals. Largest market is our production is almost 200 million tons with strong installed base for pulp, board, and paper. We have about 3,600 employees in EMEA and 45 service locations. About half of the employees are for area operations and another half for global operations.

Aki Niemi: China's development is quite well known. There has been significant increase in

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new capacity, partly also replacing old production lines and the total capacity is very close to EMEA with roughly 200 million tons. Board and paper are dominating rates. A large new installed base offers very good opportunities for future growth in China. We have about 630 employees and seven service locations at China. North America is the third largest market area with about 140 million tons. Installed base is large for pulp, paper, and board. Market has also activated with the replacement capacity and growth in board. We have about 1,100 employees and 25 service locations at North America. Asia Pacific is an area with developed countries like Japan, South Korea, Australia, and developing countries like India, Indonesia and many other smaller growth countries. Total production is also about 140 million tons and installed base is also strong for pulp, paper, and board. We have about 500 employees and 15 service locations at Asia Pacific. South America has been historically more pulp production market, but we have seen in recent years also new installations for board and tissue.

Aki Niemi: Total market production is approaching 60 million tons and we have about 380 employees and seven service locations at South America. We have grown in all markets more than twice the market growth. North America is the second largest market where we have grown organically and with acquisitions to level of 600 million. We have increased our market share with systematic sales, agreements, growth, and developing local capability, especially at pulp site. MRI is our largest market with the order intake of 670 million and COVID and war in Ukraine with energy crisis and inflation, has impacted most in Europe. Our gager has been close to four percent and we have grown with systematic sales, agreements, optimization services, and local capability development outside Nordics. Asia Pacific, China, and South America are currently quite equal in orders. However, China and South America have been growing faster, close to nine percent per annum. In these three areas we have had more new installations and services growth potential.

Aki Niemi: We have grown with systematic sales and developing our local capability and capacity. In Asia Pacific, we have developed our presence in developing countries. In China, we have been growing with agreements and developing pulp services. In South America we have also grown lately with board and paper services. Next, I will have some new information about our customer segments. We have been following these customer segments more in detail during the past three years. As you can see, most of the segments have been growing. Board segment has grown almost 20 percent after pandemic, and it's about 30 percent of our total volume. Market is large, investment activity is high, and there is a need for services for optimized performance. Paper segment orders have also grown after pandemic. That shows that the focus on growing market share in all segments is important. Total paper production will continue to decline, but we target to increase our market share in that market anyway. There are machine conversions to board and the need for optimization services.

Aki Niemi: This also has been growing well, but it's only five percent of our total orders. There is a demand, especially for energy optimization. Service spend overall is less in this as

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the total market production is smaller. The machines are smaller and the machines are more simple than in board or paper. Pulp has been growing 15 percent after pandemic, and pulp is the biggest segment for us, with about 34 percent share. Also, pulp segment is looking positive with large market and investments in new capacity and upgrades. Our energy segment order intake was growing last year, but it was still below 2020 order intake. Our main market is Europe and the demand is impacted by the legislation and also the cost of other energy sources. We expect the market to be more active going forward because of the energy crisis and also for the need to reduce CO² emissions. Our unified way to serve aims at excellent customer experience. From customer point of view, we are having quite normal corporate account management for our key customers. In the middle level, we have appointed Mill Teams led by mill sales manager.

Aki Niemi: Purpose of the operations to have easy one point of contact for the customer. Our annual sales planning with the Mill Team is based on customer specific actions, considering customer strategy and targets, and how we can help the customer to meet their targets. As a result, we have had around 10,000 actions annually. Our wide offering and services for different phases of production line enable us to work with the customer through the whole life cycle of the line. We aim to increase our market share with each customer through continuous collaboration with projects, agreements, and products. We measure our success through business result, through market share, and through customer satisfaction with Net Promoter Score. Our target is high over 70 percent in all businesses. Our strategic focus areas is profitable growth. We aim to capture higher market share from large installed base. We have high market share in new projects. Business units have wide offerings. They develop new products and services for cost competitiveness, digitalization, and sustainability.

Aki Niemi: Areas grow with customer closeness with mill teams, systematic sales, customer specific solutions, agreements, and unified way to serve. We are improving our profitability with sales management, pricing and optimizing our offering. We are continuously improving our supply base, optimizing our footprint, and investing in productivity. We have strong continuous improvement culture for operative efficiency and product development on cost competitiveness. In summary services, we are operating in a large and growing market and we have proven track record on market share growth. We have various offering in the market, enabling good growth opportunities with our customers. We are serving all key corporations in all main markets with strong teams. We have a solid track record for profitable growth during the ten past years. We have grown over twice the market growth and we aim to continue that pace going forward. Thank you, ladies and gentlemen. Next, we move to the Q&A.

Pekka Rouhiainen: All right. It's now time for the Q&A session for services. We will be taking first questions here from the floor. Please indicate if you have a question and you will be handed a microphone. We will start from here. Antti, please.

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Antti: Yes, it's Antti from CB. The first question would be on your strategy when your process technologies division is selling new equipment or new process islands. How are you guys involved in these processes? What kind of a, let's say, capture rates of parts and consumables or field service agreements do you nowadays get?

Aki Niemi: Have quite good cooperation nowadays so we are participating basically from the early phase. We are thinking of how customer likely wants to buy the project. We have to respect customer's wish. If they want to focus on OpEx only or whether they want to discuss about services included. However, we try to be active promoting and offering our services with it. We have not disclosed any percentages, but of course our aim is that we will grow with that arena too, and we max out our potential in that.

Antti: Is there any caller on, let's say, differences between a paper machine, a board machine, a pulp project and energy boiler?

Aki Niemi: Well, I think that we have opportunities to improve in all segments, and I would think that it's more dependent on also customers. That is, how the customers want to behave. I think there is opportunities in all segments to improve.

Antti: Okay. Then the second question is, as you highlighted, I mean, China and APAC are on production wise, similar size of markets as Europe and North America. Let's look at five years forward. I mean, what are the differences in the market dynamics between kind of APAC market and the traditional ones? Obviously the potential is big from production point of view, but what are the differences in the service market dynamics?

Aki Niemi: Well, I think that in Asia Pacific it's a quite diverse market. Like I said, that there are developing countries and developed countries. I would say that developed countries are more like Japan, South Korea and Australia. They are behaving more like Europe or North America. However, the growing countries are then the different story and there is a different activity level, of course. That's the opportunity. I think that overall, Asia Pacific is considered from a population growth point of view, also quite attractive market going forward in the future.

Antti: I mean, the kind of opportunity for you. For example, in China, it's a big market. Is there any structural reasons why it wouldn't at some year be as sizable as the traditional ones?

Aki Niemi: Yes, of course. We have been growing in China with quite a nice base and that is our target to continue that growth.

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Antti: Okay. Thank you.

Anna-Reetta Lumme-Timonen: Hello, Anna-Reetta Lumme-Timonen from Solidium. Thanks Aki for a most interesting presentation. My question actually goes to your aim to capture higher market share in your large global installed base. That's not a new target. Certainly, it will always be there. Can you please give some flavour on how, where, why? What are the main advantages? Why do you believe that you this time can capture even more into the larger installed base?

Aki Niemi: Well, that's a very good question. We have been, I think, working quite systematically on developing our market share, and I think that I showed that we have some track record on that. I think that we aim to continue that same work we have been doing. Continuous improvement in many arenas, working with the customers, working with our offering, working with our capability at the areas, and of course developing our supply base. I think that we need all of that to be able to be competitive and of course, keeping customers happy at the end is the final factor. They continue working with us if we can keep them happy.

Anna-Reetta Lumme-Timonen: Is this mill sales team approach that you now describe? Is it something that's now recently developed or is that one key to what you just described?

Aki Niemi: I would say that we have had that concept for many years, but of course it has been developing and evolving over the years. We continue to do so. We try to develop our way of working like looking at the customer feedback and reaction.

Anna-Reetta Lumme-Timonen: Okay. Thank you.

Aki Niemi: Here in the front row.

Christian: Hello Christian at Parieto Asset Management. The revenues or the order intake in North America seems to be quite close to Europe. I would suspect that you have a lower installed base over there. Does that mean that your sort of service penetration is deeper in North America or how do you explain the ratio?

Aki Niemi: Well, I think that we haven't disclosed or shared our market shares per area. This is an average. Globally it's a clear thing that market share varies based on the area, based on the technology, based on the segment, based on the customer and even based on the mid-level. This number is average and you can calculate based on the market sizes of where we are.

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Christian: Secondly, on performance parts, it seems like you had quite big jumps in order intake in 2019 and 2022. Is there any non-recurring items or particular issues that we should be aware of?

Aki Niemi: Well, we acquired this GL&V business and also G&L business in 2019, so that impacted. However, after that it has been organic development.

Christian: Yes, and 2022 is there any sort of recovery from COVID?

Aki Niemi: Well, I would say that it's very difficult to say how much there is a pent up demand from COVID and how much is this? I would say that when you look at our customers, they have been having good business cycle and good business activity. I think that our demand is very much linked with the customer operational rates. I think that is more the factor of how the operation is going with our customers.

Pekka Rouhiainen: Thank you. All right. Perhaps at this moment, some questions from the online audience and then I will now say that we will have a chance and you will have a chance to ask more from Aki during the last Q&A session of the day. Aki, you've gone from a much lower market share in services globally to now around 20, 21 percent. Do you have any near mid or long term target for the market share?

Aki Niemi: I think that it's quite simple to answer. Our target is to grow. That's the answer.

Pekka Rouhiainen: Then another question here from online is that you've been gaining this market share. Who are the competitors that have been then kind of losing market share?

Aki Niemi: Well, I think that we have not been calculating that. I don't have a direct answer. Maybe you can then compare to our competitors how they have been developing. I think that we are focusing on our own activities and developing that.

Pekka Rouhiainen: All right. Do we have some final question here from the live, at least there was a hand raised here. You can bring the microphone here.

Tommi Railo: Hi, Tommi Railo from DNB. Pricing is one of the key elements to drive your profitability up to the targeted levels. Any way you can comment on the pricing element in the historic development of services numbers? Maybe also going forward, what do you see happening with the prices?

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Aki Niemi: Well, I think that Pasi and Katri has been saying also in our earlier calls that we have been working with the pricing and we continue to do so. It's an element of margin improvement also, but it's not the only element. We have to work in other arenas also, operative efficiency and supply chain. However, it is part of the so-called activities we are having.

Pekka Rouhiainen: All right. Thank you Aki. Thank you for the questions and we will now move on to flow control. Simo, please.

Simo Sääsکیlahti: Good afternoon. Before going into flow control, a few words about the Valmet Automation segment, which consists of the flow control business line as well as the automation systems business line. Together, we were about a bit over one billion Euros in '22 and our profitability was 18.3 percent at the EBITA margin level. Please note that these figures now stand for, or flow control is only reported here for three quarters, i.e, the period we were part of Valmet. While in my presentation I will have full year 22 numbers for flow control. We move on then and talk about the flow control. I will first cover or say a few words about the large and growing flow control market. I will talk about our market position. We are a leader in many segments. I will cover that. I will talk about our very resilient business model where a lot of the business comes from aftermarket or services. I will cover also about the value proposition, why we are successful in the market. In the end, talk about our proven strategy, which we have been able to accelerate and focus even further now being part of Valmet.

Simo Sääsکیlahti: These are the assets that enable us to reach our target to grow two times faster than the market. Flow control is about 30 to 35 billion USD market and it's expected to be growing at a rate of three percent annually in the next few years. Flow control is quite fragmented market. There are hundreds of companies active in that market, but when you look at the segment we are playing in, this is the mission critical high quality valves. The number of capable players is much less, but I would still say it's pretty fragmented. Valves are a relatively small part of a capital investment, but they can have a huge impact or a big impact on the profits or safety or efficiency of a process plant. That's why customers don't want to take risks with critical valves. Credible players, leading players, here need to go through a lot of approvals. You need to have a lot of track record and be qualified to be in the game. This is one part of the dynamic that makes this a pretty attractive industry for leading players. You can have quite solid profitability as a leader in the mission critical valves.

Simo Sääsکیlahti: Looking at our performance, our orders have grown over seven percent and net sales over five percent since '16, so faster than the market. Our business consists of three business units. We have the MRO and services, which is about two thirds of our business. This is mainly driven by customer OpEx spending, customer production volumes.

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Projects, about 15 percent of the business is then more linked to customers bigger capital or bigger projects. Then we have about 19 percent of the business is so-called valve controls and actuators and I will explain that business in a while. We are well positioned in all the main geographical markets, North America and MA are the biggest. However, we also have a very good position in Asia Pacific, China, and South America. We have chosen four key industries, core industries where we focus for growth. Pulp and paper is a traditional area of strength. We are the market leader there and it's about a bit less than 30 percent of our business. Refining and chemicals is another traditional area of strength for us, is a bit over 45 percent of our business. Here, our position is that we are among the global leaders, perhaps between number five to 10.

Simo Sääsکیlahti: Then we have a segment we call renewable energy and gases. Mainly the biggest business there is the industrial gases, oxygen, hydrogen, et cetera. I will come back to this later. In this sector, we are number one or number two. Then the fourth core industry is metals and mining. Now with the acquisition of Flow Rocks, we have actually a pretty solid position there as one of the leading players and it stands for a bit less than 10 percent of the business at the moment. A word about our products. Here you can see a valve package. The bottom part is called Valve. This is the pipeline that opens and closes or regulates the flow. Actuator is the muscle that move making the valve open and close. Then we have valve controllers, which are the brains of the valve package. This is the digital element. This is the link to the, for example, Valmet DNA control systems. When I talk about MRO and services and project business, they sell these entire packages or the valves. Our position globally is about number 10 in that business, our VCNA business sells the actuators and valve controllers as standalone products.

Simo Sääsکیlahti: The reach to different customer segments for these businesses is broader and our market position is also stronger. In actuators, we estimate to be number five to number seven. In the valve controllers, the digital part number two or number three. We have very strong brands. Neles, Jamesburry are our traditional product brands that we continue to go to market with. Flowrux is the newest addition and in particular well known brand for mining. All of these have a very clear kind of role in our portfolio and a role in terms of the technologies. We are known for high quality and we are also known for our over the life cycle approach for services. We work with our customers from planning the projects and after the project, providing spare parts, field services, upgrades and replacements. However, also very importantly, we have strong capabilities leveraging the data we have, about the installed base and our experience to provide value added services for customers. How they can optimize their maintenance strategies, how they can plan better shutdowns.

Simo Sääsکیlahti: This is an important part for us, a differentiator. Looking at the business units, MRO & services really driven by customers, operation volumes, operational spending normally quite steadily growing business, very resilient business. You see here, a drop in 2020. That's of course, because of COVID but since then, we have recovered quite well.

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Digitalization is a trend here that we see accelerating the growth here in this segment. Projects normally a bit more volatile business. This is linked basically to customers, larger investment customer CapEx still from 16 onwards, over seven percent growth on average. Then valve controls and actuators has been a very fast growing business, close to 15 percent gager on this in this period. One element here is that the level of automation and digitalization as this is growing, it's one driver that gives us more growth opportunities in this area. We have a global footprint in terms of operations or manufacturing. Our biggest manufacturing locations is in Finland, the USA, China, and India. However, I would say more importantly in this picture is to look at the number of service centers, a number of countries we cover either directly or with our partners.

Simo Sääsکیlahti: This is another pretty important competitive asset for us. We are close to the customers and we are able to work with them over the life cycle. I think this sets us apart from many competitors. Looking at the main industries pulp and paper, close to 10 percent growth since 2020. My colleagues will give much more flavor about the growth trends in this, so I will not say more about that. Refining and chemicals, also you can see a good bounce from the 2020 levels and quite interestingly, we see that there's a lot of opportunities in making or around the sustainability theme here, making the operations more sustainable, reducing emissions, and ensuring the safety. These are very good trends for a player like us with high quality products and services. Renewable energy and gases here is mainly industrial gases for us. However, we are seeing quite a lot of activity around this renewable energy. I talk about green or various colors of hydrogen bioenergy, etc. Relatively small, still in the numbers, but clearly things happening in the market.

Simo Sääsکیlahti: Metals and mining, you can see a big jump. This is the acquisition of Flowrax, which we used to have already offering for there, but now our offering is much more complete. We have a stronger channel and brand to continue to grow in that market, which is quite exciting to be. It gives us new growth drivers for the megatrends like electrification and infrastructure build. A few words about the energy transition. This is an opportunity for us. We have, as I mentioned, we are a leader in industrial gases. We have been there for a long time. We know hydrogen, oxygen, and other gases, how to create solutions for them. Now, we have been working with our existing partners or traditional partners, but also actively finding new partners to work in the very wide area of renewable energy and carbon capture, methane capture, etcetera. We are getting opportunities, we are getting wins there. Now, being part of Valmet is actually quite exciting that we are enhancing this approach, working with automation systems to create bigger packages, addressing this industry and also getting, for example, for us, access to the bioenergy side is something that where we are much stronger now. Integration with Valmet or the Neles Valmet integration is proceeding well.

Simo Sääsکیlahti: I think we can say that the first year we have proven that the industrial logic is solid. We have already won growth synergistic or we have achieved growth synergies in particular in paper, tissue, and board side. We are working on creating Valmet level

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packages with valves included and also with automation. We are working, as I mentioned, even on a broader set of customer industries helping each other grow in them. Renewable energy is one side, but also mining is another area where we are working together in cases to create broader offerings or to grow together. Cost synergy capture the admin integration has been very efficient, Pasi has been reporting how we have already done a lot of the actions in particular the group side, to capture a lot of synergies, some of which were already visible in our numbers last year. I would say we are well on track to meet the 25 million synergy target. Our growth strategy has many elements that we had before and have proven to be successful, but now we have been able to focus it a bit.

Simo Sääsکیlahti: We now talk very clearly about the four core industries which have a little bit different megatrends driving each other. I'm quite happy with this kind of growth portfolio for us. Valve controls and actuators as a standalone business. You saw that we've already made good progress there. We continue to grow and invest in that business. Then overall services and MRO being close to customers, offering them value is important. We continue to develop our channels for that and now digitalization is a very important angle that can give us further growth. We've seen a big kind of acceleration of that development now being part of Valmet. Our business model is inherently has a high operating leverage. Growth typically gives yields profitability. Other activities we do on the profit side is we work on the global supply chains, further balancing them, finding opportunities for increased competitiveness. Then a very important topic for us is to really improve our responsiveness for customers. How can we be more responsive faster? How can we cut lead times? This is an area which I believe can, when we work on that, improve the long term growth and unlock further opportunities.

Simo Sääsکیlahti: Good. That was a pretty fast one but I hope I have been able to cover now the main points. Flow control is a large and growing market where leading players having the right assets can have very solid profitability. We are a leading player in a number of interesting growing segments that will give us growth. We have a strong value proposition. We have strong assets to grow and in particular develop the recurring business in MRO and services, which gives resilience to our business model. We have, I would say, pretty good track record driving the strategy, and now being part of Valmet, we can accelerate that further. Our target is to grow two times faster than the market. Thank you and now before we go into Q&A, I'm asking my colleague Emilia to join in or come and talk about automation systems. Thank you.

Emilia Torttila-Miettinen: Good afternoon, ladies and gentlemen. I'm the new face in this scene, so very short introduction of myself. I have been starting with the heading automation systems business lines in basically November last year, and I have been within the company for 20 years and well before starting as a business line head, I was heading our automation systems operations. Without further ado, let's go to the actual agenda and to automation growing profitably in attractive market. Our growth is driven by global megatrends of automation and digitalization. We are in number one to number three in pulp

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and paper automation globally and we have solid growth position in energy and process automation. We have widest offering in pulp and paper and leading renewing DCS technology with application portfolio in energy and process. We have actually over 5,000 individual customers globally with whom we have long term relationship. We have been growing over seven percent gager since 2015 with improving profitability. Our financial target is to grow in net sales two times the market growth.

Emilia Torttila-Miettinen: If we take a look at the target market, it has been growing with three percent since 2015 to '22. We consider it to grow similar pace for the next three years. Our market is driven by automation, investment, and services because of sustainability, digitalization, and operational efficiency. Our market is characterized by process critical systems requiring deep domain expertise. We have high share of recurring service business on installed base with cross-selling opportunities. Automation systems market share increase in pulp and paper is driven by value adding solutions and high technology and cost competitive solutions in energy and process. We see further market share expansion opportunities via wider offering, continuous technology development, and replacing aging competitor installed base. If we take a look at more detailed about the numbers. We have been growing over seven percent in orders and hitting 505 million Euros orders last year.

Emilia Torttila-Miettinen: If we take a look at the more detailed about the split by product, we are dominantly of course, 50 percent is coming from the distributed control system, DCS, and industrial applications and a little bit over 20 percent, both from quality management systems and analyzers and measurements. Two thirds of the orders are coming from pulp and paper industry and one third is coming from energy and process. In area wise, we are EMEA and North America dominant with two thirds coming from those areas, but very solid footprint in South America, China, and Asia Pacific. Our market share in pulp and paper is about 26 percent and in energy and process, 14 percent. Our market position there is between two and four. If we then go more detailed into our products and high technology and competitive offering, what we actually do is distributed control system. DCS is highly integrated. Renewing Valmet DNA automation system for process control, monitoring, and applications for different industries. It is integrated industrial ready automation platform with wide applications offering for different industries.

Emilia Torttila-Miettinen: We have been developing, especially our user experience of the user interface, which is now totally web based, which enables our customers to use it anywhere at any time. Of course, high focus on cyber security. We are also concentrating on developing DCS with the future proof technology, lifetime compatibility in our mind, which enables us to do modular upgrades of the systems. If we go to another product area, its quality management system, Valmet IQ control system for pulp and paper. It is basically quality management applications, measurements, camera systems to optimize resource usage and quality of the paper machine. We have the world's widest offering in quality management for board and paper. It is integrated into the DCS, and we have possibility to optimize the quality from fibers to final product. Then if we take a look at the analyzers and

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measurements, for those, we are basically measuring and optimizing different variables in the process from the liquids, for example. We have the world's widest and excuse me, world's widest and trusted offering for pulp and paper with the measurements to adjacent like Wastewaters as well.

Emilia Torttila-Miettinen: We have unique combination of advanced process controls and optimization packages around these measurements. If we take a look at how we have been doing with all of these product categories, all of these have increased in orders quite nicely. We have strong order intake in DCS over seven percent where we are growing due to the market growth and also with the life cycle replacements of our own systems. We are also changing and replacing over 650 competitor systems since 2015. In quality management systems, we have been growing even faster with 7.6 percent and there we have been able to replace over 700 competitor systems. Of course we are doing also our own life cycle replacements. Then in analyzers and measurements, we are having also growth by a life cycle replacement. Excuse me. Thanks. We continuously develop our technology to expand the offering and target market in all of these categories. If we take a look at the segments then, how we have been doing in pulp and paper, we have been able to grow over twice the market growth.

Emilia Torttila-Miettinen: In 7.8 percent gager coming from customers investing in improving their operations. We have unparalleled offering and capability, combining automation with process technology services and valves, which of course contributes to this growth. We have been doing this life cycle upgrades to our customers and adding also value adding services since our installed base has been growing throughout the years. We are also targeting on aging competitor instant based and have been able to do changes in that as well. When our customers are investing into improving their operations, this next slide is to illustrate how we are involved in that business. In the heart of everything is the DCS, which is actually controlling and showing everything around the process. Here we are providing the DCS system, Valmet DNA, reliable process controls, basically. Then it is controlling our intelligent process equipment and gathering information from those. We are also having the analysis and measurements and valves around the process, which is connected to the DCS, which is controlling and gathering more data out of those.

Emilia Torttila-Miettinen: On the paper side and board mill side, we have quality management system on top of DCS. Optimizing our product quality and resource usage like water, energy, and raw materials. On top of all of these, we can have optimization applications, which is done based on this data which is scattered in DCS system. We can enable our customers to optimize the whole mill plant or fleet and it is supported by our local service specialists, nearby customers, or then our Valmet performance centers, which are supporting our customers through the lifetime with remote support. The similar things we do also in other industries but of course the product portfolio is not that wide. However, also in energy and process, we have been able to grow profitably 6.2 percent. Sustainable investments in energy and fuels are driving these investments further and our market there.

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Further digitalisation of process industry is also driving this part and expanding target market with technology development. A growth in life cycle services and value adding services is also enabling this growth as growing installed base results also in growing services.

Emilia Torttila-Miettinen: We are doing, of course, a lot of automation systems offering to different industries. However, in our recent track record we have been able to grow into leading DCS supplier position in European waste, energy industry, and multi-fuel boilers. As a number two in DCS supplier in demand in cruise vessels, we are serving multiple customers globally. We have breakthrough orders in new growth segments like bioethanol, biochemicals, renewable products, and hydropower. For example, Nestlé Rotterdam's new plant is operated with our DCS. Expanding addressable market and offering, we have targeted DCS growth in selected new segments like chemical, pharma, food and beverage, and alternative energies. There we are working very closely, as Simo was saying, with the flow control, which is having a little bit more footprint on this area already. We also do continuous DCS technology renewal combined with the digitalization, which is improving our competitiveness on this field.

Emilia Torttila-Miettinen: We have also announced in the beginning of this year, Novatek acquisition, where we have acquired a batch automation system which is enabling us to provide technology which is needed, especially on those mentioned new segments. If we go to our strategic focus areas, our actions to grow is to support the customers in their digitalization journey further. Strengthen the leading position to grow further as automation provider in pulp and paper industry, expand further to new markets in energy and process industries, continue to win market share via competitor replacements, continuously develop our products and services further and see that we are providing what our customers are needing. Key actions to improve profitability is of course, we are working in high operating leverage business model.

Emilia Torttila-Miettinen: We have R&D for market leading cost competitive technology and we have focused on having winning team close to our customers. In automation systems, we are in good, attractive market during profitable growth, which is driven by megatrends of automation and digitalization. We have strong footprint and strong position in pulp and paper globally. We have solid growth position in energy and process automation. We have competitive offering for pulp and paper and even leading renewing DCS technology with application portfolio for energy and process over 5,000 customers globally with whom we have long term relationship. Then we have been growing solidly for seven percent gager since 2015. Our target is to grow still two times the market growth in net sales. I think that's it from my part. Thank you. Glad to be here, because that's a new thing for us. Then I think we will have questions and answers with Simo next.

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Pekka Rouhiainen: All right. Now we go to the Q&A session. At least there is a hand raised there on the back row.

Tommi Railo: Yes. Hello, This is Thomas Goldman from Carnegie. If I start with automation systems, how large share of sales comes from customer expansion projects and how much is coming from replacements and upgrades?

Emilia Torttila-Miettinen: In general, we are saying that about 50 percent of our orders intake was coming from services, but it's split of course, this value adding services and then this time life cycle replacement. Some of that services part.

Tommi Railo: The remaining part is then to customer projects, basically to grow projects.

Emilia Torttila-Miettinen: Yes, and also very large replacements.

Tommi Railo: Is there any meaningful profitability difference if it's kind of a small service or upgrade or tied to a, let's say, a new board project?

Emilia Torttila-Miettinen: When we are doing of course, modularly things. We have a little bit different situation when comparing to total mill automation systems replacement. It is a very big item to be replaced as it is controlling all the important parts of the process.

Tommi Railo: Okay. Then to see more about flow control, can you elaborate a bit about your strategy in hydrogen? I mean, it's been a hot topic for several years and you are one of the biggest gas valves providers in Europe at least. Will you focus on the electrolyzers or the logistics? Does it need to be a really large electrolyzer for you to be interested etc.

Simo Sääsilahti: Well, I mean, the key thing is that you need to be in the game and learn all the time. We looked a lot about the electrolyzers, but then we've seen that there's actually a lot of other opportunities also in the carbon capture side. Now we also talk about the kind of the bioenergy etc. It's not just about one niche, but I would say that it's the whole concept of looking at the energy transition gives us opportunities and we want to have partners. We want to be in many of these games. Not just I'm not just talking about hydrogen, but also broadly, I mentioned methane capture, carbon capture, etc. These are all businesses for us.

Tommi Railo: Then my final question is, as Valmet has a very strong balance sheet, where would it be easier to find good targets, on your side or on your side?

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Simo Sääsکیlahti: I don't know which one is to answer, but...

Emilia Torttila-Miettinen: Of course we are hoping to find joint, good, possibilities as well.

Simo Sääsکیlahti: Yes, we have a growth strategy and acquisitions is a tool to accelerate many of these things. As you said, as I showed a flow control, there are a lot of companies around.

Tommi Railo: Okay. Thank you.

Pekka Rouhiainen: All right. Are there more questions here in the audience? All right.

Simo Sääsکیlahti: I need to say, though, that Valmet is very disciplined in the M&A approach.

Antti: Hi, it's Antti from SAB. Just a question on something Simo, that you mentioned on selling larger packages together with the automation systems. Question from the systems point of view, like I understand your background and technical capabilities and the pulp and paper side, but if you kind of sell DCS to other process industries, perhaps valves can open the doors but is it about technical capabilities? Is it about reference cases? How do you kind of unlock the doors on the process and energy side?

Emilia Torttila-Miettinen: Well, of course, as I said, we have quite large customer base. We are operating in several industries as such already, but of course globally to have, for example, relationships which is, and knowledge and this kind of thing globally about our automation systems is important. There of course cooperation with flow control can help to bring that kind of visibility to our systems as well.

Antti: From customer point of view, what's the kind of added value of the valves and the automation systems coming from one place? Does it really matter from their point of view?

Simo Sääsکیlahti: Well, I think the key here is to look at over the life cycle, how we can serve our customers there and there. The value comes that there's one partner that can look pretty holistically on your automation needs and develop because these processes are changing all the time. You need to be doing changes there. Having a partner that has broader capabilities we believe clearly adds value.

Emilia Torttila-Miettinen: We are, for example, offering control performance services and

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where of course it is supportive if we have the valves as part of our technology portfolio too, and then enable our customers better.

Simo Sääsکیlahti: Then some examples like developing industrial Internet capabilities for valves has been greatly boosted by solutions or platforms that Valmet has been working on. That again, kind of combines the offering and where it comes together in the area of digitalization.

Antti: All right. Thank you.

Pekka Rouhiainen: All right. Maybe here from the front row we can continue.

Anna-Reetta Lumme-Timonen: Anna-Reetta here. Can you please, and I think this goes in particular to Emilia. Can you elaborate a bit on the industrial Internet solutions? It was kind of a big thing a couple of years back. What is the status now? What kind of a value creation role it has? What kind of opportunities, are the customers more ready to share their data? Will it be a kind of a small add on or maybe something bigger in the future for you? Thank you.

Emilia Torttila-Miettinen: Of course, it has a big part in this digitalization role. What we are providing and as explained, it can of course even play a big role as full autonomous mill operating almost as itself. Or then it can be an advisory, especially when our customers are also seeing, for example, retirements of their personnel and lack of, or losing knowledge, for example. These things can support them with all of the advisory and control possibilities. It is highly integrated into many of the things we are doing currently. I think that is there in all the aspects what we are doing this industrial internet as well.

Pekka Rouhiainen: All right, thanks. Let's take now a question from online. This goes to Simo. How much of your offering relates to fossil energy and how much of that can be in the future replaced by some kind of future renewable fuels or chemicals? In more general terms, is the energy transition a threat or an accelerated growth opportunity or a flow control?

Simo Sääsکیlahti: If the question was how much of our business is related to fossil power generation, that is a very small piece. We see the energy transition clearly as an opportunity coming from the background. I explained about our capabilities, working now with automation, and we see a lot of activity there. We see that as an opportunity, definitely.

Pekka Rouhiainen: Good. Then there's an online question to Emilia as well here. Your market share was indicated in the presentation, but it seems that some revenues come also from

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competitor replacements. Do you have some kind of estimate on what's your market share on the existing installed base? Probably referring to the especially the pulp and paper side.

Emilia Torttila-Miettinen: Okay. The asset, in a little bit, depend on the process area and a little bit about the product mix as well. What we are saying is, we are market leaders in top one to three positions there.

Pekka Rouhiainen: All right, good. Then more questions here on the floor, perhaps. Please indicate if you want to ask something. There is a question here.

Panu Laitinmäki: Thank you. It's Panu Laitinmäki from Danske Bank. Actually, I had two related to flow controls. Firstly, it's been almost a year since the acquisition closing. Just wondering, how successful have you been in cross-selling the flow control products to Valmet customer base and vice versa? Can you give any examples of did you win any deals because of the wider offering or how much additional revenue came from that?

Simo Sääsکیlahti: Yes, we have won. Cases which are clearly synergistic. There are cases we would not have been otherwise, let's say, aware of that early enough. We've been able to bid there and win there. We've been able to work with our colleagues and talk about the full value proposition of Valmet. I think it's been a good year and we have met the targets for the first year in that respect.

Panu Laitinmäki: All right, thanks. Then secondly, on the profitability potential of flow control as part of Valmet, how do you see that? Is it a kind of take the latest standalone figures and then add the cost synergies on top? Or how much more potential do you see for improvement as part of Valmet?

Simo Sääsکیlahti: We will continuously drive profitability growth also. We have a target to grow faster than the market. However, also it's very clear that we aim to all the time improve our profitability.

Panu Laitinmäki: It's mainly like operating leverage on top of that.

Simo Sääsکیlahti: No, we also are working on, I mentioned actually quite a number of things, I didn't talk about that we are continuously renewing our offering for better performance, better competitiveness. We work on our supply chains and global footprint and very importantly, this customer responsiveness. It's not just operating leverage.

Panu Laitinmäki: All right. Thanks.

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Pekka Rouhiainen: Okay. Here we have a question.

Tommi Railo: Tommy. I'll follow up on that, maybe both of you. What would you consider to be a good benchmark or target level? What sort of levels do you think is possible in terms of profitability? What's your, let's say, dream Pier would be making?

Simo Sääsکیlahti: We try to improve our profitability, so the answer is more.

Emilia Torttila-Miettinen: We aim to improve with all of these actions mentioned.

Simo Sääsکیlahti: I mean, I showed the last year figure 18.3 for the segment and I think what we're saying is that we continuously on both sides try to improve that.

Tommi Railo: Very clear. Thank you.

Pekka Rouhiainen: Sorry. Yes, here.

Jari Vähäpesola: Yes. Follow up on flow control and the MDS strategy, is kind of the flowrax are a good benchmark that you are kind of looking at similar type of businesses of scale and kind of adding a new end market or is there something else that you could kind of complement your existing portfolio? Is the flow businesses pretty good? Have the sellers got them pretty good valuation. Have you seen any movement on that lately? Is the market getting easier or tougher?

Panu Laitinmäki: Well, I think flow control starting with the flowrax, I think it's a good example of a value creation logic that we have. It has had a very quite narrow portfolio, but it was still a very well known company in that industry that we wanted to kind of grow. Being part of flow control, we've been able to accelerate its global growth. We're able to take it into bigger situations. We have complementary offering and in overall, our infrastructure, as I mentioned about our service network, something that a small company like Flowrax used cannot afford. There are a lot of these kind of synergies that are applicable. I think that these can be repeated also. We have the four core industries we want to grow and expand our offering as an example. We're talking about the VC and the services. All these growth actions, we have organic plans, but our M&A can accelerate them. Then about the market, it's hard for me to comment really on that.

Pekka Rouhiainen: Okay. Thank you for the good questions and answers, Simo and Emilia. We will now move on to a break and there is a chance to take a look at the 3D molded fiber

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products and Jari Vähäpesola, the director of that field will be presenting them. Then there are some clothes made from Spinnova fibers and Sami Riekkola will be presenting them. But we will continue in 25 minutes.

Jari Vähäpesola: Back to the second session of today's capital market days. It's really great to be here again with you. I start my presentation with the short introduction to process technologies. Last year, the orders intake in Process Technologies was almost 2.4 billion Euros. 55 percent of that came from the paper business line and 45 percent came from the pulp and energy business line. Our net sales was a bit over 2.4 billion Euros and comparable EBITA was 145 million and margin six percent. We employed 5,650 people around last year. Now, in this presentation, I'm focusing on paper business line and how our business is supported by global megatrends. In my presentation, I go through how we are in the growing market. We have a good, excellent market position. How we have a competitive offering, actually the only supplier with full offering. How is our business model and then what we are really proud of is that we have had an improved performance year over year already nine years in a row. Our target is to grow faster than market is growing. Let's start with the market demand, which has been 0.5 percent during the last ten years.

Jari Vähäpesola: Of course, the significant dip in the graphic paper, but all the other paper grades have grown and we are also expecting the whole market to grow 1.2 percent in coming years. The board, a demand is growing around three percent and it is based on the fiber based packaging which are supported by e-commerce, retail practices, and plastic replacement. Tissue growth is even a bit higher, 3.6 percent. What is expected and this is driven by increased hygiene awareness and standard of living and especially on those developing economies. Our customers are not only building the new capacity, they are also rebuilding the existing assets, repurposing them, and relocating them. One thing what I would like to highlight, what is important to understand also is that all the production built is not to add the new capacity. During the last ten years, one third of the capacity built was to replace closed or obsolete assets. Taking a look on our performance and our key figures, we see that our order intake has grown quite nicely during the years and 2021 was really excellent year by almost 1.7 billion Euros order intake. However, also the last year was a good one with 1.3 billion Euros order intake.

Jari Vähäpesola: Thanks to this good order intake, we have been able to increase our net sales continuously and last year we reached almost 1.4 billion Euros net sales, which actually is 2.6 times higher than what we had in 2014. Looking at the net sales by different views. First of all, we can see based on the paper grade that the board is dominating business for us with 68 percent of the order intake sorry, net sales coming from the board followed by paper and tissue. What we can be happy about is the area distribution. It's quite good. We have a good market position in every single area we are working with. The biggest one still is China, but all the other areas have been active and we have been successful on those. By scope, we can see that the new installation is really the backbone of our business, so 79 percent of the net sales came from the new installations. However, with all these figures,

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what I'm presenting here, we are at the moment number one in the business today. As I said in the beginning, that we are full scope supplier and only supplier who has all the full offering to offer our customers.

Jari Vähäpesola: When we are selling new installations and new machines, we are not only delivering paperboard or tissue machine, we are also delivering stock preparation and recycled fiber lines. We discussed earlier with the automation. We quite seldom, if ever, we sell machine line without our own automation and we include pretty much the whole product portfolio that Emilia have presented in our deliveries. From the beginning of last year, we started to include also valves to our deliveries. As Simo said, it has been pretty good and successful start up with that. Years and years, we have included different service packages and service agreements to our deliveries. We included also the rebuilds but of course, it depends on the rebuild type, how big share can be built on those other outer areas. Taking a look on the net sales by paper grade, we see that the board is the dominating and it has been the growing business in each of the market. It includes also the paper machine conversions to board. As a surprise maybe it was already presented by Aki, but the paper machinery business has grown as well. Not a lot, but steady growth there and we are selling every year.

Jari Vähäpesola: We are selling paper machines as well, but the main market is in China and in Southeast Asia. Tissue is a growth market, but it is out of these three paper grades, maybe the most cyclical one, and that's why we see some differentiation and differences between the different years. Looking at the geographical areas, we see that North America has grown and that is actually the market area. We have the old installed base and because of the packaging growth, there has been a lot of activity in North America and we expect that to continue. The South America has been known as a bulb production area, but our customers are integrating to paperboard and tissue production as well. That has now been an active market and we have been successful to gain the market share in South America as well. As you can see from these pictures, EMEA and China are the big markets for us. They are quite stable market, if we may say so, and we expect that to continue as well. The Asia-Pacific is a bit similar to South America from that point of view, that economic growth drives all the segments and we have been able to grow there. We also expect that market area to be active in the future.

Jari Vähäpesola: Our success behind of our success, I would say, is the winning business model. We have been able to reduce our capacity cost by 25 percent points since 2014. It is partly because of the increased net sales, but we have invested to productivity and delivery capacity. Today we have a strong home base in Nordic countries, in Finland and Sweden, but we also have a competitive operations in our cost competitive countries like Poland, India, and China. One thing in our business is that we get the advance payment and gas generation is positive and we have a very self-financing projects what we are making. Then we also have few competitive advantage compared to our competitors. First of all, this is reference business and we have excellent references and we also have a good customer relationship

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and good customer satisfaction. We also have a quite efficient procurement and supplier network which is creating savings for us. What was also mentioned by Pasi is that we have a really state of the art pilot facilities, the best one in this industry, where we can also develop our products and our R&D work today is aligned with sustainability megatrends.

Jari Vähäpesola: We have developed and done a lot of R&D work in order to develop products which improve the resource efficient board production, tissue production and paper production. There is a plenty of different development and innovations done in this area. If I want to highlight some of the achievements we have, is that during the last year we have been able to reduce the energy consumption by 18 percent in that average, typical recycled containerboard line. Also, we have developed the technology towards the lightweight production, meaning that we are getting the same strength properties with the lower grammage what we used to have earlier, and that is giving us an average 10 percent or five percent savings. Also we are, thanks to this performance centers and VII development, we are also able to optimize the performance of the machine, including all the saving targets that we have for that.

Jari Vähäpesola: We have done similar work on the tissue side as well, and we have had maybe a bit longer development work going on there. We can see that during the last 30 years we have been able to reduce the energy usage by 47 percent and water usage by 80 percent per produced tonne. If you compare the last ten years, what was the previous slide, we are talking about 20 percent and 50 percent savings. We have been able to reach quite significant savings. Most likely you studied those 3D molded fiber products. This is one of the development work we are doing together with Metsa and why we are there is that we feel that it is the good business and good technology for us to be because we have a wide knowledge of fiber technology and also we can utilize our paper machine technology in those production lines. However, I would like to let my colleagues explain this a bit more in detail. I have a short video here and I would like to run that through now.

Jarkko Tuominen: Plastic packaging is not the entire problem, but it's not the solution either. A renewable raw material, food fibers, together with a resource efficient production line, make three dimensional fiber products a perfect, sustainable alternative to plastics. The production method is unique, enabling layered structure, which gives new possibilities to optimize the end product quality. The capacity of the production line will be clearly the highest in the market and the degree of automation will be exceptional. The novel 3D fiber technology is a great innovation based on our joint development between Metsa Spring and Valmet and our top class network of professionals. We want to strengthen the already strong fiber ecosystem even further. Join our journey towards a greener tomorrow. Together, we will reform the world of packaging.

Jari Vähäpesola: Example of this type of business expansion project we are participating today and we see in the future what type of the results we will get. Shortly, going through

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our strategic focus area, the key actions to grow is to keep our high heat ratio we have today in this business by improving our competitiveness. To increase the capacity through supplier network as needed and then continue investing in R&D to support our customers targets in growth and in sustainability, and also to keep investing in these new business expansion projects like this 3D fiber, as well as for the textile, which my colleague will explain more in his presentation. However, this is the business we are participating as well. Then key actions to improve the profitability are the product cost competitiveness, continuous attention on productivity, and more efficient supplier network, especially in the cost competitive countries. This was what I had to tell you. I think that I showed you that we are in the attractive market board and tissue is growing. We are number one in the market.

Jari Vähäpesola: We are technology leader with the full offering to offer our customers. We have a business model which is flexible and we have a solid track record to improve our performance from year over year. As I said, our financial target is to increase our net sales and exceed with market growth. Thank you very much. Now I would like to invite my colleague Sami to come here and tell a bit more about the pulp and energy.

Sami Riekkola: Hello. Good afternoon. On my behalf, I'm a known face but in the new position. I'm going to be this time talking, not about automation but pulp and energy business line. Pulp and energy, we are to strengthen our position in the growing market of biomass conversion and we'll be addressing the market we are in. We are in an attractive market. We have the megatrends on our side. We also have a strong market position, thanks to our leading technology in multiple fronts on the required technical assets related to the biomass conversion. We'll be also addressing and talking about our business model and then the focus areas to the future, intending then, as already mentioned previously, to grow faster than the market. Pulp market is an attractive market and it is a stable, growing market as well. It has been driven by the new greenfield installation or production capacity, which is being continuously erected by about one to two million tons a year in an annual phases basis. Then significant investments are also continuously made to refurbish the existing installed base.

Sami Riekkola: Those installed installations then and refurbishments are then particularly sold and won on performance. I'm going to be talking about our answer to that. Then the legislation and companies own targets are driving the continuous improvement as well, and particularly the environmental performance. Then energy markets. Now I'm taking our own view on the energy market, stating that we had a record year 2022 in the energy and in the boilers market. Our order intake was close to 600 Euros million and market, which is active. It is presently being driven by the megatrends of decarbonization of the industries, but then also the energy generation. The naturally biomass and the local residual fuels sources are playing a key role when energy producers and the industrial customers are assessing how the energy mix is going to be looking in the future. Also tightening air emission controls or norms or boosting further and nurturing the demand. Pulp and energy key figures. Our order

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intake 2022 were 1,071,000,000. As you can see the energy was the very active one, and then the activity on the pulp side was more to the single island deliveries and projects.

Sami Riekkola: Net sales was 1.08 billion Euros. Pretty much in the same ballpark as the as the net sales. Then the net sales focused to the pulp last year and then also to the energy sorry, the European Middle East and Africa market area and we can say Europe. By scope, which is interesting and where we also have been rather successful in selling, delivering single island pulp deliveries, which I as mentioned are being normally won. Those projects are being won through performance and through the competitiveness of the technology and that was really active in terms of the deliveries and the net sales last year. No, sorry. How do I go back in the presentation if you... Read one of course. Thank you. In the pulp, we have room to grow. We are number two in the market with a market share of 30 to 35 percent in a total market, which is fluctuating according to the investment cycles between two to three billion Euros annually. There, of course, is our position where we intend to grow and strengthen our position through market share growth. In energy, we are depending a little bit on the segments from one to three.

Sami Riekkola: We are strong in biomass power generation and power plants in the total market of 1.5 to two billion Euros. Our market share is within 15 to 25 percent range. Then growth potential and how do we see that across the segments of pulp and energy and then the geographic areas? North America traditionally is of rather aged installed base when it comes to pulp. That then also means that there is a lot of needs to refurbish and improve the efficiency of the existing installed base. The demand over in North America is presently being driven by the rebuilds and refurbishments. Also, there is some visibility of activity rising up in the new capacity as well. South America traditionally has been new mega mills and that, of course, remains to be the trend also in the future, including the extensions of the existing large assets over there. Europe, we are seeing pulp mill extensions as well, then of course, China and Asia Pacific. Some investments will be going ahead as well in pulp side as well. Then when it comes to energy, we are pretty much Europe focused presently, where the fossil phase out is driving the new capacity buildup.

Sami Riekkola: However, the supply security resulting from the Ukraine war is emerging as the next market driver in Europe. In China and in Asia Pacific, we do see opportunities in the waste to energy market and also in the biomass based energy production. Then the offering, sorry for the busy slide, but we have a lot to offer and a lot of competitive technologies to offer for the pulp and energy to the customers. We are offering full mill capabilities with unmatched technical scope, including flow controls, including the automation and then pulp mill wide project delivery and project management and execution, including then fully optimized production of the entire plant assets throughout the life cycle. It is rather a strong offering we are having for the pulp. Then when it comes to the single islands, they're really the core of the technical capabilities and where competitiveness lies. We have really strong cooking technology. We have good washing and bleaching technology. When it comes to, for

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example, PCT and be that he needs in his delivered folding boxboard machines, we are market leaders in the chemically treated mechanical wood pulp.

Sami Riekkola: Then when it comes to energy, also full offering for the biomass based energy generation, including also the emission controls. For the different islands and when it comes to novel technologies like Gasifiers, Pyrolysis and so on, I will be mentioning in a short while. We have large installed base, large reference base, which is then giving a good platform for continuous, positive development of the business. Then coming to the business mode, we want to be and we are efficient and flexible in our operating model. We are focusing on manufacturing of the core equipment on our own hands. We are at the same time also developing the footprint of the both own, but then also subcontracted manufacturing and engineering and focusing on flexibility and cost competitiveness. We are working heavily on the risk management and project management, starting from the scope of supplies and managing the scope related risk throughout the project, but then of course taking good care of the project both from the risk, but also the performance point of view. R&D as already mentioned, is an important part of our operating model.

Sami Riekkola: We have our own product production scale R&D facilities in which we can then pilot and in which we are presently also developing those novel technologies I'm about to mention in the while. When it comes to the these new and novel technologies coming and resulting from our production scale facility, for example, the different derivatives out of the biomass and conversion end results like biochemicals, biofuels, and different materials, whether they are pellets or whether it's bio oil, or different chemicals driven out of the, for example, pyrolysis process. Those are based on our own piloting and own development work, in our own facilities. As a couple of examples, the pre-hydrolysis of the biomass to produce, for example, second generation bio ethanol is one of those examples. Then naturally, very importantly nowadays the lignin extraction through our ligno boost provides customers the ability to, for example, utilize lignin as the replacement of the fossil based carbon in, for example, battery materials.

Sami Riekkola: Own R&D facilities, own laboratories and demo scale facilities are really important in this development that we also do, of course, heavily in the collaboration with our customers. These mentioned few cases are now already proceeding in the commercial phases, like for the biochemicals and second generation bioethanol. Then naturally lignin as you most likely know already. Then a common, new topic for both paper business line and for pulp and energy are naturally the recycling and the cellulose based fiber textiles that Jari and myself were not acting as models, but we were explaining the end products of our customers. That also is proceeding to the commercial phase of recycling the existing or the reused textiles or thrown out textiles. Then also the second stream over there are the cellulose based fibers in which we are using the technologies we have at house. Both already exist existing ones, but then also adapting and developing new technologies which for example, enable energy efficient drying of the recycled textiles or the cellulose based textile fibers.

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Sami Riekkola: These are really important that we are not only working together with the business lines, but then also incorporating automation flow control and the services into these new initiatives. We are looking to generate growth in the future. For the remote audience, the textiles that were here visible also and are visible still here on site, not for sale, are from the redusal and the woodspring facilities. To summarize, gradually the strategic focus areas for pulp and energy are the growth and improved profitability. The growth needs to come and will be coming from the growing market share on pulp. We also intend to grow and further strengthen our position in the energy market through this energy transition and also the continuing demand as we see it. We intend to also expand and further growth through this new technologies as already mentioned. Then importantly, to be competitive, we are continuously working on our technology and our delivery efficiency to further improve our cost competitiveness going forward. That also applies naturally to the engineering, to the supply chain and the whole chain of operations.

Sami Riekkola: Then naturally, we have been successful in commercializing new technologies, and that will need to continue. We are in a market that is being supported by the global megatrends. We have a really strong position with our technology and we do see potential to grow further, particularly in the pulp through market share growth. We have good and full offering that we are continuing developing forward as well. Then these new technologies will be providing additional growth in the future. Target remains to be growing faster than the market and we are determined to do so. That was my part. Thank you. Now we are ready for the lively questions and answers. We will be rejoined by Jari on stage.

Pekka Rouhiainen: All right. Let's start with the Q&A session and I see a raised hand here. Just wait a second for the microphone.

Katri Hokkanen: In North America, both in pulp and in containerboard, it's really lagging in new investment for a long time. Can you explain what describes that? I guess you have seen some new investment in board. What's causing that and do you think the same is going to happen in pulp now?

Jari Vähäpesola: Shall I start with the board?

Katri Hokkanen: You can start.

Jari Vähäpesola: As I said my presentation, There is an old installed base in North America, and for some reason there has not been too much investment in past, let's say ten years ago. Before that, I don't know exactly what is the reason for that. However, now in the recent years, we have clearly seen the investment amount increasing. Of course the behind of that is the need for the container board for the different packages applications. That's the

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clear reason. It has been now maybe five, six years, there has been a really good investment activity and it looks like it's going to continue.

Sami Riekkola: To further continue on the pulp side, I definitely do think that there continues to be and there will be further rebuilds on particularly energy efficiency and environmental efficiency, but also production efficiency. Let's see when the next true greenfield asset will be brought on line and will be planned. However, I do expect this rebuild to be strengthened in the future. However, you are right that the installed base over there and the asset lifecycle definitely is at the very old age.

Tommi Railo: Yes, hi. This is Tommy Goldman from Carnegie. On the pulp side, I mean, it's a valve for many years, but it's still a bit hard to understand in this larger projects, whether there are any alternative ways to do that business. Now, we see, from my perspective, that many engineering companies are focusing on their high margin, low volatility kind of businesses. It's clear that involvement, pulp is creating a lot of at least order volatility, and there seems to be more kind of project cost overruns in pulp than in other parts of the business. I wonder, could you just team up with some construction companies in Brazil and give them a bit of the margin and have a lower sales, but a much higher margin and lower volatility in the future somehow.

Sami Riekkola: Yes, interesting thought. However, then we are, of course, really focused on improving our own competitiveness within the market and working on our own deliverables and our own way to operate and deliver and focus on the own competitiveness and own operations to be as competitive as possible. Naturally winning the large projects might be sometimes difficult. However, we are definitely competing with our own strengths, which are technical advantages and technology competitiveness and also our delivery operations efficiency. In Brazil, we are rather good at that.

Jari Vähäpesola: Could you focus like on the board side, on core products and equipment, and then allow someone else to take care of the EPC project part of it.

Sami Riekkola: Yes, if we continue on the on the pulp side, we definitely, as I mentioned also in the presentation, we are rather strict and careful on the risks related to our project portfolio already.

Tommi Railo: When you avoid risks, what does it mean? A certain customer, certain countries where you don't have a strong country organization? Or what are the other kind of risks do you try to avoid in pulp projects?

Sami Riekkola: Well, as you already mentioned, the risks related to the delivery scope and

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potentially also to the destination country. When you mix those together, that is definitely something to be very aware of and we try to continuously do that.

Tommi Railo: Okay. Thank you.

Pekka Rouhiainen: All right. Thanks, Tom. Then we have many questions online, so I will now take up from here. First one on the energy order intake, which was pretty strong last year, close to 600 million like mentioned. Are you close to the maximum capacity that you have in your energy organization? Do you have any possibilities to increase this capacity for energy?

Sami Riekkola: We are, of course, all the time working on ensuring and continuously improving our flexibility, delivery capability and starting from the project engineering and design phase all the way to the manufacturing and deliveries. Working also with, as already mentioned, with extensive range of the of the subcontractors to balance the load. We can still improve.

Pekka Rouhiainen: Then within pulp, what are the key drivers for winning back market share in the future?

Sami Riekkola: Well, as already mentioned and that's, of course, something that I'm asking myself every day as well, but as mentioned, we need to focus on our own game and playing the game with our own strengths, which are efficient engineering, continuous development of the winning technology going forward, and then operating efficiency throughout the supply chain. We have many topics and we are determined to focus and to also succeed in many of these fronts that will then enable better competitiveness. I think the essence is competitiveness of the deliverable technologies and projects.

Pekka Rouhiainen: All right. Thanks. Then one more from here. How well are your solutions suited to use non-wood pulp? For example, straw as a raw material in the paper or tissue making process, actually.

Jari Vähäpesola: We have done quite many studies in those and we are using those raw materials in certain cases. It's the matter of finalizing our technology to shoot the photos, but we have used those.

Sami Riekkola: That might be complemented in the fiber processing technologies. We are already doing the cooking technologies for the annual fibers, as already mentioned.

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Pekka Rouhiainen: Good. All right. Then more questions here from the hall. Here's one from Antie.

Antti: Yes, Antti. Just to follow up on the pulp market share and you have an ambition to win back market share. Volume means something to you, but at the same time you're continuing to be risk averse. That has been your strategy always or many years at least. What was the reason why you lost a little bit of the market share and you're continuing with the same strategy, so why focus so much still on the market share if you are more risk averse and more margin focused there?

Sami Riekkola: That is true. We want to win over and win further the market share we are not happy with that. Why individual projects are then being lost or won, it's of course something which is difficult to and also speculative, but then also at the same time, we have been successful in this single island deliveries and we are presently doing also large delivery projects and we are all the time improving our delivery operations as well. Being able in the future, to be successful also in those big deliveries and projects. However, at the same time as already, I'm repeating myself, the risk control definitely needs to be there and will be there. However, every now and then, one probably has to take calculated risk and evaluate it but this risk control definitely will be there.

Antti: Okay, and then the second question perhaps for both of you, if we look at this kind of a new growth verticals, whether it be textile or biomaterials, where are we kind of there's no addressable market number for it or there's no exposure of sales. When are these commercially kind of a sizable businesses for you so they are actually visible on the divisions, whether it be auto growth or earnings.

Jari Vähäpesola: If I start, we have to remember now that we are on the development stage. Our target is to develop the production lines which are meeting our targets for the actual production. We have met those hopefully by the end of this year. We have a running references on the pilot scale. After that, we start to discuss about the next steps. At the moment we are focusing only on the development.

Antti: Thank you.

Pekka Rouhiainen: Okay. Any more questions? I see no questions here on the online version. Does somebody want to please indicate if you want to ask something? Tommy Riley here at the front.

Tommi Railo: Tommy Riley, D&B. Question relating to capacity. Firstly, on the pulp side. To

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what extent is winning the market share through potentially bigger deals? A capacity question, so after not winning many larger orders, have you sort of spare capacity and which you need to fill in the coming quarters or years or by winning these bigger deals? Also a question on your own capacity. You mentioned that you aim to improve delivery capabilities through supply network and so on. Are you capacity constraint or can you still deliver more in terms of sales from last year's level?

Sami Riekkola: Shall I start.

Jari Vähäpesola: You can start.

Sami Riekkola: We, of course, have been already focusing on flexible utilization of the engineering and production capacity between the energy and pulp, resourcing in internal capacity point of view. We are not desperate in getting a big portion or the big individual order in. Anyways, of course we are all the time working and also being successful in the single island deliveries and also for managing with that, but we are by no means capacity limited. However, the flexibility development has been working so far.

Jari Vähäpesola: Okay. If you take a look on the numbers on what I presented, we have grown quite a lot. To be honest, we have been on the limit quite a long time. We have continuously increased our capacity. I wouldn't say that we have lost anything because of the capacity limitation, but we need to continue to increase our capacity capabilities in order to grow. That's why we are now focusing on building up the competitive network for that.

Pekka Rouhiainen: All right. Let's take one more question there from the back.

Tommi Railo: Yes. It's Tommy again from Carnegie. I look at your customers in South America, Europe, and Asia. Of course, they clearly make lower profits now than last year. No one knows how long the kind of the bear cycle will last in the pulp and paper markets. However, when would you get worried that low price would start to have an impact for the demand and for the kind of confidence to go ahead with things in your sales funnel? Is it like a low price for 12 months, 18, 24, 36 months or.

Jari Vähäpesola: That's a good question, but we haven't seen any impact in our project pipeline and sales cases so far. The general business environment today is quite unstable and that is creating some hesitation for our customers to make the investments. However, so far we really haven't seen any major impact and I can't estimate anything for the future.

Sami Riekkola: Yes, and the investment horizon for our customers is definitely tens of years, and that's long term based on long term plans.

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Jari Vähäpesola: That's a good point, that when our customers are making investments, their plan is a few years ahead of today's situation.

Tommi Railo: Do you see a risk that there will be too many new machines starting up in certain parts of the world? I mean, given interest rates are going up, the consumer gets in a weaker with higher interest rates.

Jari Vähäpesola: That worry has been raised quite many times in this type of discussion during the last five years, and so far it seems that all the capacity, what is built is needed. I think this replacing plastic needs are increasing the need for the capacity. So far, everything is good.

Tommi Railo: Then finally in China, there has been a lot of small kind of polluting machines that are being replaced with larger machines supplied by you and your main competitor. However, where are we in this transition in China? How much is done and how much is left?

Jari Vähäpesola: That's a good question. They seem to be quite many of those small mills which are closed. As I said, there is a continuous replacement going on for the old and obsolete capacity and I think it continues still. However, I can't exactly say how the future looks like on that area.

Pekka Rouhiainen: Okay. Thank you, Sami and Jari for the questions, and now it's time for CFO Katri Hokkanen. Katri, please.

Katri Hokkanen: Good afternoon, everybody. On my behalf as well, I'm also relatively new in the team, so I started as CFO last August, but I have been working for Valmet for a very long time. However, they say that time flies when you're having fun, right? My presentation today is how Valmet is on solid growth track with concrete actions to reach the financial targets. As you all have heard today, we have three strong segments in Valmet. Last year, our net sales was 5.1 billion. If you look at the segment split, so services and automation segments, there were a little bit over 50 percent of the total net sales. However, when you look at the comparable EBITA, so actually three fourths was coming from these businesses. When you look at also on the margins on the bar chart, they were relatively good. Services was at the level of 14.8 percent and automation segment was at the level of 18.3 percent in comparable EBITA margin. However, it's also good to mention that we have very strong process technology segment in Valmet and last year the net sales was 2.4 billion and comparable EBITA was 145 million.

Katri Hokkanen: Even if the profitability in the process technologies dropped by two percent,

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last year it was at six percent level. We are not happy about this, but this is where we start to improve again. Maybe it's good to mention that in our industry it's quite typical that project business has lower profitability than the stable business. A few words also about the net sales trends. As you can see from the chart in all of our segments, the net sales has been increasing over the years. If I start from services, the net sales was one billion when we started and last year we were at 1.6 billion. There has been almost 600 million growth over the years. Part of that has come from acquisitions, but mostly it is organic growth. Then moving to the automation segment side. This is a business that we didn't have when we started as an independent company. First we acquired automation systems and by that time it was 300 million business. It has been growing over the years and then last year we had the merger with Neles, and together with that, the volume for automation segment was one billion, so very good development there as well.

Katri Hokkanen: Moving to the process technology side. This is a business which is often referred as cyclical. However, if you look at the trend, it has actually been also growing throughout the years, starting from 1.6 billion to 2.4 billion. As a summary, all of our segments have been growing in terms of net sales. Then how do we see the future? What kind of targets have we set for ourselves? These are unchanged now to the ones that we published last year. If I start from growth, I will repeat this. You have heard this from the business line presidents already for many times, but on services and automation segments, the target is to grow over two times the market growth. For process technologies, target is to exceed the market growth. When it comes to profitability, our target is to be between 12 to 14 percent, and last year we were at 10.5. Moving on to comparable return on capital employed, there our target is to be at least 15 percent. When it comes to dividends, our target is to pay out at least 50 percent of the net profit.

Katri Hokkanen: Then how do we do all of this? As you heard from Pasi's presentation in the beginning, we have these must wins environment. We have been working with them for many years already. That's also the key to this improvement in the profitability. I have listed here some of the topics that I found relevant for my role, of course, there are many more. If I start from the customer side, there the target is to grow and then on top of that also improve the prices, doing the sales management and being close to our customers. This is something that the business line presidents have been talking a lot already during today. Then when moving to the technology side, I think it's really fair to say that we have world class technology and we all the time bring advanced technology to the market. Then on top of that, we are also having these new innovations that you have seen here today as well, like 3D fiber and the textiles. Then on top of that, we are also putting a lot of focus on product cost competitiveness. This is a key thing when looking at the profitability in the future.

Katri Hokkanen: Even if I said that we have world class technology, I also believe that we have world class processes environment. This is something that we will continue to develop further so we are not already there and I think we will never be. We have a really good project operations. We have a mindset with our project managers, for example, that

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whenever they have a project, the target is to improve. To be able to improve the profitability, of course, supply chain, this cost savings we have play a really key role. Last year, our spend was 2.5 billion and we were able to save 3.3 percent. It is a significant amount of Euros and this is something that we continue to work also in the future and we have potential there. One topic also under the processes is to keep the quality costs low. This we have been quite successful also during the years. Then moving to the fourth must win related to people. It's good to say that we have strong home base here in the Nordic, but at the same time we have been increasing our procurement production and engineering resources in cost competitive countries and that is something also that we are doing in the future.

Katri Hokkanen: We are also investing quite a lot in our people. One thing I wanted to mention here is that we have an excellent global training portfolio which is built in such a manner that it's actually supporting these must wins execution. As you can see, the improvement is coming from many different sources. It's not one single thing. We are continuing with the same work that we have been doing for many years already. With all of this, we are targeting to increase the comparable EBITA margin in all three segments. Then moving to the third financial target, which is the return on capital employed, and as you can see from the chart, our ability to turn capital employed into profit has been relatively good over the years. Last year we were at 17 percent level. It went down from the previous year, but that was because of the merger with Neles. When looking towards the future, of course our target is to improve at that then comes through improving the comparable EBITA. Then moving to the fourth financial target related to dividends. As you can also see from the chart here, we have been able to increase the dividend every single year and we have also exceeded the target to payout at least 50 percent.

Katri Hokkanen: When looking at all the years, including 2022, the payout has been 1 billion Euros. That's also quite a lot. A few words also about the balance sheet. We have had strong balance sheet throughout the years. At the end of last year, our net debt was at the level of 502 million and gearing was 20 percent. Gearing has been changing or varying between the years, from minus 23 to plus 21. When looking at our net debt to EBITA ratio, so that was 0.78 at the end of last year. Because we have strong balance sheet, it has enabled us to perform our solid operations in the company. We have been able to pay the attractive dividend and also growth through acquisitions and my next slide is about that. When looking at the history since we started as an independent company, we have made ten acquisitions and the investment for those has been about 2 billion Euros. Then when we look towards the future, our strategy is such that we want to strengthen all the corners of Valmet's triangle, so services, automation and process technologies. We can make selective acquisitions if they have a clear industrial logic and they bring synergies to us.

Katri Hokkanen: Of course, it's also important that they will support us in reaching our financial targets. We are quite active on this front as well, so we are evaluating 50 cases every year. Then how we have performed as a company since we started as a listed

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company. If we look at Valmet's total shareholder return, that has been almost 450 percent. Our share price has increased by 370 percent and actually our market cap has gone from 1 billion to close to 6 billion during this period. When we look at our cumulative dividend payout, we have paid 5.37 Euros per share. If we compare ourselves against other large European industrial companies in terms of total shareholder return, we have actually outperformed 90 percent of them. All of this is something that we are really proud of. As a summary, As I said, we have three strong segments in Valmet. They have been growing and that's also the expectation going forward. Our target is to be between 12 to 14 percent in comparable EBITA margin. We have concrete actions. We continue the things that we have been doing for many years already.

Katri Hokkanen: We have strong balance sheet. We have been able to pay attractive dividends and we have also made acquisitions and we have the ability to do those in the future as well. When comparing our performance against others, then I would say that it has been good. That was my presentation. Thank you, and I will give the floor to Pasi.

Pasi Laine: Thank you Katri. Now it's my pleasure to conclude the day's presentations. My summary title is Strong Position in Growing Markets and Building New Opportunities. Here are the key takeaways, which I mentioned in the beginning of the presentation, and I'll go through them one by one and then once again summarize in the end. First of all, we have a unique offering. We have process technology, we have services and we have automation. That's a very good setup because we can solve the process technology problems, we can solve the services and automation. Then of course, if you think about the digitalization and industrial Internet opportunities and everything else, these three things are actually needed in a modern company to be successful. We have a very good starting position now. We have also a good, strong market drivers behind all these segments in process technology, my colleagues went through. We have e-commerce global trade replacing plastics. We have energy transition, energy supply security, and tightening emissions legislation.

Pasi Laine: Many drivers which continue to make sure that the process technology market continues to be active, In services like Aki was saying, we have a large and aging global installed base which we are serving. Customers have a lot of targets like CO² reductions, energy and resource efficiency and so on. There are many reasons why the services market continues to be active as well. In automation, it's easy to understand that the digitalization is going forward and we have good position on that. Also big fleet and big amount of aging installed base of competitor systems which we can replace and of course our own systems as well. Automation helps in raw material savings, process efficiency, and sustainability. Customers will continue to invest on that. Then of course safety, reliability, and emissions are important and that will help flow controls business to continue as well, so good offering strong market drivers. Then if we first go through the process technology segment, we are saying that it's benefiting from growing demand for bio based products and energy.

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Pasi Laine: The track record is that it has been growing and then the market for pulp and paper is in the bottom part of the page and we see that the demand for pulp and paper continues to grow, which then of course means that there will be investments. However, like both Jari and Sami were saying, there is also a large old installed base as well, and that needs to be replaced as well. Like somebody was asking about North America. North America was not a market ten years ago for board machines and now it's a market and reasonably big market and active. One should not think only on the growth of the demand, one should also think about that how much there is replacement need in the old capacity. Then we have good business model. My colleagues have taken good care of the capacity cost. When we started, the capacity cost was 47 percent against the net sales. Now it's 26, which means that even if there would be a little bit bumpy road, we will survive and we will have good operations, even if the road would be bumpy. In pulp and energy, it has been the case from the beginning.

Pasi Laine: We have good business model. Last year, EBITA was six percent. Two years ago it was eight percent. I think now we are six percent and from we try to climb up. However, I think now it's better for all of us to set up the comparison point to be at six and from there we start to work towards better margins. Six is also a profitable technology business. Then in services segment, we have had long term growth and good track record on that. Like I said, global installed base is, of course helping there. We have big installed base which needs to be maintained all the time where the market is estimated to be about 8 billion Euros and we are saying that it continues to grow about two percent a year. We are saying also that we target to grow twice the market growth. We have wide offerings like Aki went through very nicely that how wide the offering is and how well we have been able actually to growing all the business units. Then we have also strong presence in all the markets. One has to grow in the products, but then also from the area perspective. We have a good organization in all the geographies and we have also a good track record on growing all the areas.

Pasi Laine: That continues to be our action plan further as well. Comparable EBITA last year was 14.8 and of course, we continue to work on trying to improve that profitability, but already it has decent level. Then automation segment, like Katri said, and maybe I said in the beginning as well, that in the beginning we didn't have automation at all. Then we were successful in acquiring systems business and we have been able to grow that quite nicely year after year. Now we we're very happy that the merger was finalized last year and now we have flow controls there as well. We start from about 1.1 billion Euros net sales and order intake to grow it further. Automation system business market is estimated to grow and flow controls as well. We are saying that roughly the markets are growing about three percent a year. Again, the target is to grow twice the market growth. There are many drivers in automation which are helping. Digitalization, sustainability, operational efficiency, which means that there is increasing need for automation solutions in all the process industries.

Pasi Laine: Flow Controls has very good position in critical valves automation, and that's so

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difficult market that like Simo was explaining, that it's very difficult for the new entrants to come to the market. We have good position there to continue to grow. Then this comment could be also in the other segments, but of course we have possibilities to continue to make bolder and acquisitions in automation to accelerate the growth in automation. Last year comparable EBITA was 18.3 percent. We have about 1.1 billion Euros segment with 18.3 percent EBITA margin. Then of course, one has to remember that last year there were only three quarters of the year flow controls in our numbers. Then we were talking a little bit about also the coming business ideas, textiles, fibers were presented. There are two streams. One is to transfer the recycled textiles again to pulp and then use that viscose pulp, and then use them as a raw material for textiles. Then the other one is to make directly from wood pulp textile fibers. We are active on both of these streams with our technology and working of course with partners as well. We are not alone there.

Pasi Laine: Then in 3D, you saw the examples here and we are very excited about this possibility. What we are developing together with Metsa, that you could directly from pulp make the end product and of course we can replace plastic or if we can replace places where first board is made and then the plate and there is a lot of waste, then of course we can increase the sustainability of the packaging solutions. Like you saw with the machine, what our team has been developing, we can make quite demanding structures already now and this is only the first phase where we are. Let's see how far we can go, so it can be used as a packaging application and then also in some food applications. Then some we went through, some of the other bioproduct issues like lignin. Lignin is of course a old story. We solved lignin separation units ten years ago, so it takes a while before the market starts to be active, but now we see more activity in lignin. We see also market activity in Pyrolysis and biomass pretreatment units for biofuels and other that kind of applications.

Pasi Laine: Then in flow controls and automation, Green hydrogen was discussed by both Emilia and Sami. Renewal of our automation system gives one also opportunities to enter new customers and then at the same time helping growing energy and process automation. Then I should have listed here also Valmet Industrial Internet. We don't have any slide about it. I can maybe tell some of the numbers which I hope I remember roughly correctly. We have been talking about Valmet Industrial Internet where the idea is that we have connection to customer and connection we can use either to help the customer or collect the data to optimize the operation or even follow up. What's the condition of the facility and or of the equipment and then business wise, it's now order intake was about 50 million Euro business. We earn now from industrial internet so it's roughly about 50 million. It's not anymore. If it were a startup, then actually it would be a big start up. However, this industrial Internet business is about 50 million Euros and we use that in all the products in process technology, in services, and in automation.

Pasi Laine: We have several performance centers and colleagues, if I remember roughly right. However, we have sold last year about 3,000 cases remotely to help customers. A customer has a problem, then they contact us and then we connect them, their system and

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study the situation and then solve the issues. We have had about 3,000 that kind of cases last year. It starts to be already part of the normal organization, know how are we utilizing it to the full extent. We have still a long way to go to the situation that we would be collecting the data from the machines and then monitoring them and then helping the customer by telling them in advance that now you should do something. There is still a lot of room to improve. However, we have already solid base for this business. Then as a summary, we are saying that Valmet is building on positive megatrends and strategy of renewable and continuous development. We are saying that the demand for bio based products and energy continues to grow. Pulp and paper market is growing by the mega trends.

Pasi Laine: Energy transition is creating us opportunities and we have a strong market position and in couple of units also possibility to improve our market position further. We have new growth opportunities like this, new sustainable innovations we just discussed and we have also opportunities in energy and process industries, in automation, including flow controls and systems business. We have steadily growing stable business, including systems, automation, and services. Last year order intake was about 2.8 billion. It had stable net sales and good margin as well. There the large installed base is helping us to keep that business developing favorably. We have good strategy. We have good track record in making acquisition and integrating the acquisitions. I think Simo was saying that we have quite prudent process and that's needed because it's easy to make acquisition and then lose money. However, it's a lot of more challenging to make an acquisition and then earn money later on. Our track record actually with acquisitions is good.

Pasi Laine: It's because we have been quite careful to what kind of acquisition we go and that will be the case in the future as well. However, it's limiting the acquisition amounts, but then it's better to have good quality instead of good quantity and then bad quality. Then of course, we continue to build the business in a systematic way, with renewal, and continuous improvement. Good. Now, you have a pleasure to put pressure on Katri and myself. Then because we have colleagues here, we cascade the pressure very quickly to my colleagues.

Pekka Rouhiainen: Like Pasi mentioned, now is the time to ask questions from Pasi and Katri and also you can address them to the other presenters here. Do we have questions here in Hanasaari? At least here in the front?

Christian: Christian from Parieto Asset Management. The different sales growth targets that you have, you have twice the market growth for some segments and more than the market growth for paper and pulp and energy. I guess that's a combination of reasons competitiveness, scalability and margin levels. Maybe you're more happy with the margin levels in the high growth areas. Could you just put some color on the reasons why you choose to have those different growth margins? Sorry, growth targets.

Pasi Laine: It's because of the nature of the business. In a stable business being it's service

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flow controls automation system, you can think linearly that the market is growing X percent and then you try to grow faster. However, in a process or the technology, the order intake is lumpy and then it's very difficult actually to say that what would be the percentage? Then I'm reluctant to tell a person if I'm not able to tell that, wherefrom it starts because if somebody then starts to follow it from the peak and we go down then says, hey, Pasi you have been lying. Then it's better to say that we try to improve our market position.

Christian: The ambitions are not necessarily...

Pasi Laine: No, they are not different. It's just that the signal is different way with which you compare.

Christian: Yes, highly appreciated. Thank you.

Pekka Rouhiainen: Okay. There's a question here in the middle.

Tommi Railo: Tommi Railo from DNB. My first question to Katri asking still a little bit more concrete commentary on the target setting to reach 12 percent clean EBITA at the bottom of the range, we start from 10.5.

Katri Hokkanen: Yes.

Tommi Railo: If you would rank and still say something concrete, where does this improvement comes in terms of numbers?

Katri Hokkanen: Okay, so of course, it starts from the growth targets. We have to grow the business, so that's for sure. Of course, together with the growth, we have to improve the profitability. If you look at how you can do that, of course, working closely with the customers, getting new customers, increasing the wallet share, and then also when looking at when we get the order, what can we do internally? Of course, making sure that we can do the project execution in cost efficient way. I said one key topic here is the supply chain savings, which I mentioned in my presentation. Of course, managing the quality costs, making sure that there is this continuous improvement mindset. On top of that, we need to make sure that we still have world class technology in the future. We have these new topics also on the agenda. Then also investing in the people thinking about the CCS countries when it comes to engineering, procurement, and production. It is a combination of many things. You cannot put a price tag to all of them. Of course, we have internally very ambitious targets.

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Tommi Railo: Then I start asked earlier that what would be a good level of benchmark level, let's say, in flow control or automation. If I'm thinking that probably the profitability improvement mostly comes from process technologies, what would be a good benchmark level for process technology profitability?

Pasi Laine: We are benchmarking only companies, so we have setting the targets so only for the whole company and then we are benchmarking only the whole company. When we started, we were put in bottom of the Nordic engineers nearing companies. Now we are somewhere a little bit maybe above the average in Finland than comparing the Swedes. We still have room to improve, but we are comparing ourselves to other engineering companies and then maybe more to engineering companies which are making projects as well. If somebody is making only small products and then there's high amount of consumables, then profitability level is different. We try to be better Nordic engineering companies with project execution.

Tommi Railo: Third and final question to Pasi. Very good developments over the year, what are currently your main worries or risks? What could happen? What could go wrong?

Pasi Laine: Last year was so challenging that I hope that this year is not as challenging. There was still the inflation hit, then came the Ukraine war, which caused even more inflation, then we had to close Russian operation. We had to source from different places. We had COVID in China, and then Jari unluckily had a fire in one of the production units. I wish that we just have a normal year with normal challenges. Then we can focus on daily work and then, I was saying also during the break to other people that even if we had challenges, we managed last year actually to work in the way that we isolated the challenges to units where there were challenges and all the rest continue to work in normal way. That has been very important. Somehow, if you have challenges, you isolate it and then the rest must continue to execute our must wins without any deltas. That has been the medicine in managing in this kind of turbulent situations.

Tommi Railo: Yes. This is Tom from Carnegie. Again, I wonder about capital allocation a bit. When you acquired Neles, you said that you have really tried to screen the market for service companies and they have been hard to buy. Then you said that, in process equipment, our market shares are so high that it's kind of hard to find many good targets to buy. However, now you have Neles, a two percent global market share, a very profitable good business. Should we expect that capital allocation will focus more on the flow control side? Also, I wonder in automation, it doesn't sound like it's easy to buy another kind of big software system and integrate, but perhaps there are other parts you could buy to automation to boost growth in that part.

Pasi Laine: Well, I think we have been all the time saying that we focus on strengthening all

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of them, so process technology, services, and automation. Then of course, it's so that in services, the amount of possible targets is more limited than in automation. That's of course true. Then we have possible dream targets in process technology. We have them in services and we have them in automation. All my colleagues are working on all those areas. Then in acquisitions, it easily takes six years from idea to execution. Like first time when we wrote Neles as a target, it was 2016 and 2022, we finally merged and with several others, it has taken four or five years from the initial discussion to closing. The processes last long. Maybe I can say now publicly that almost all the cases we have bought are without auction.

Pasi Laine: We have been buying in one on one processes and that's where you usually get actually a better payback. Then if you are working on those ones, then it takes time that you find suitable position that the other seller is willing to sell an acceptable price from our perspective. It takes time, but we continue to work on all these. Of course it would be nice to strengthen flow controls and it would be nice to strengthen the assistance business, but the same for process technology and services as well.

Tommi Railo: Given you have a strong global organization, I would assume that there are like small companies with good kind of highly advanced kind of analyzers or those type of things that you could perhaps buy and then spread out globally. Is that the case?

Pasi Laine: There might be such and we are, of course, analyzing them, then our track record integrating a little bit bigger units is better. Then it might be that the price tag for specialty Analyzer company which has 10 million Euros turnover goes to sky high, and then it's actually very difficult to calculate that. Why in the hell should you buy it if the price is too high? There might be that market, but one has to think also, does it make sense from our shareholders point of view?

Tommi Railo: Thank you.

Pekka Rouhiainen: Okay, let's take one here from the web. This one is going to Sami. Sami, If you can come closer to the microphone here. Regarding the triangle offering of Valmet, where there is a combination of services and automation and then process technologies, what kind of competitive advantage do you see the automation systems and the pulp and energy have together? Do you get competitive advantage from this setup?

Sami Riekkola: I hope the microphone is working. All right. Yes, we definitely do. See the competitive benefits of combining the automation systems to the particularly pulp mills, which are really demanding processes. Then also in the pulp mills, there is still a lot of untapped potential in optimization and with our DCS as a platform and then the industrial internet connected and hooked up on top to supervise the unit operations of the pulp mill where we can still create a lot of untapped potential and the savings and improve the

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performance. We have seen with our mill wide optimization applications. Yes, there is potential and competitive benefits. The competitive benefit is in this life cycle operations of the entities.

Pekka Rouhiainen: All right. Thank you, Sami.

Sami Riekkola: Also helping our project execution.

Pekka Rouhiainen: Thanks. Then there's a question to Aki, follow up on Faraki regarding the field services that you had brought up earlier in your presentation. What's the status of field services?

Aki Niemi: Yes. I think the two years ago we mentioned that in this same arena and field services is still a focused development area for us but as many other development programs, now we have moved it under service business line. It's not any more company wide program, but it's still in a focus and we have continued to work on growing that, developing that capability, including processes, products, and competencies. Of course, COVID impacted field services also because of the limitation to travel and see our customers. However, we have had quite nice activity coming back and we continue to work on it. We see a lot of potential synergies, with parts business synergies with remote services. I think that it's an element of customer closeness that we definitely need in the future too.

Pekka Rouhiainen: Good. Thank you. Then there's a Web question. I guess this goes to Pasi or Katri.

Pasi Laine: Let's see. If it's a difficult one, then it goes to Katri.

Pekka Rouhiainen: What is the time frame for the 12 to 14 percent comparable EBITA margin target?

Pasi Laine: It's difficult one. It goes to Katri.

Katri Hokkanen: Okay. I cannot give you a timeframe. That's the answer. Of course, we are working hard. We have ambitious targets. The business line presidents have been promising to improve their businesses as well, but the work continues. Sorry that I cannot give a more exact due date.

Pekka Rouhiainen: All right. Those were so far the questions from the online platform.

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However, we still have a little bit of time left or actually a nice amount of time left, so please raise your hand and indicate. Tom on the back row.

Tommi Railo: I can just ask a small kind of detailed question, and that is on the flow control side and growth in renewables and hydrogen. I know that you have Lindsay's in Old Valves factory in Germany, but what is the kind of capabilities in the US? Isn't it so that in the US, the Jamesburry factory focus a lot on oil and chemicals etc? Or is that well suited for renewables and hydrogen as well?

Pasi Laine: Yes, we are also active in that market in the US and making progress there. Of course our factories serve the technologies globally so we can always supply the best technology for the applications.

Tommi Railo: Okay. Thank you.

Pekka Rouhiainen: Anything else? Here, Mikael, in the middle.

Mikael Doepel: Yes. Thanks, Mikael Doepel Nodea. You mentioned your installed base quite a few times here. Was wondering, what is your share of the global pulp and paper. Install base really in terms of capacity or in terms of number of machines, whichever way you want to measure it.

Pasi Laine: No, we have installed about 40 percent in paper and board of the world's capacity and pulp the same, so the number Sami showed the 30 to 35 percent was the market for last couple of years. However, the history is that we have had about the same market share and it's about 40 percent. Both have about 40 and then the 20 is done by the others and then on big machines for it and ourselves share have been sharing earlier the market 50/50. Now we are market leaders so we have a big mortgage in installed base, and when talking about the installed base, then it's maybe good to still say that we didn't mean our installed base only. Of course, like if you have bought old machines and customer decides to replace three of the old machines with one new, then it doesn't matter whose machine will be replaced. One has to understand the installed base is the general term of the installed base, not on our own.

Pekka Rouhiainen: Right, but given that you have, let's call it 40 percent of the installed base, you have a global share of services of only 20. I mean, is the ambition to get that 20 up to 40. I'm just trying to figure out what kind of a growth rate you're really expecting there.

Pasi Laine: What Aki showed in his presentation is what we have been able to do now with organic growth and some acquisitions and so the installed base and our technology market

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and service market are a little bit different. Like in Aki's presentation, he was talking about paper machine clothing. In paper machine clothing is a big market where we have the business volume, what we had and then our market share, the globally is under 10 percent because they are big companies like Albani who are focusing only on paper machine clothing and they don't have process technology. That's why the markets are not the same.

Tommi Railo: Okay. Thank you.

Pekka Rouhiainen: Okay. Then Stephen here in the middle.

Stephen: Thank you. Stephen Kusmierczyk. If you would look back to ten years ago when you were charting the independent future of Valmet, what is developed differently in the industry than you expected that's meaningful. Not about how you've shaped Valmet, but just overall the industry where that's geographies, where that's COPEX, has been technology.

Pasi Laine: If I take a couple more years than ten years back then it's easier to answer. If we take the year from 2000 to 2010, our end customer industry was not seen as a future industry. Everybody saw only the paper declining and maybe because of paper declining, pulp declining as well. Our customers were not earning money, so they were in a little bit in declining mode and not earning money because of overcapacity. Now, if you think of the last ten years, our customers have transformed themselves. They are now more towards packaging. Packaging demand is growing and because of that, pulp is growing. They have had good investment discipline as an industry. Generally our customers are earning money. We are now serving different industry than we served 10, 15 years ago. We serve customers who have future ambitions and who see that their market has future potential and they have the finance and capability to invest for the future. That's the big change that has happened between 2000 and 2010 and compared to today's situation.

Pasi Laine: Then geographically, there are differences. You were asking about North America and Jari and Sami were answering. Like 15 years ago, nobody thought that they would invest to a new port machine in North America. Now we are selling one to two big machines a year, to North America. Their customers are seeing also that if they are not investing the new machinery, then their old assets cannot produce the lightweight eco friendly products which are needed now by the brand owners.

Pekka Rouhiainen: Here in the front.

Mikael Doepel: You have a very capital light business and if you exclude the old goodwill which dates back to the 90s, I think you have an extremely high capital return. Frankly, we

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don't really want your dividends. We want you to redeploy capital. Then on the other hand, you say that you're very picky on acquisitions. Should you spend more or that's probably a conclusion. You should spend more on R&D and to extend the product range and the lead over competitors. If you could just shed some light on that, please.

Pasi Laine: On R&D spending, if we spend more, then the EBITA goes down.

Mikael Doepel: Yes, that's fine as long as that in the future it goes faster.

Pasi Laine: Because we spend it, yes and no. We have been increasing R&D spending like Jari is now building this now nice 3D machinery. Then of course, he got more money. Then sometimes actually you get more out of R&D organization if you reduce their spending. Let's take a very bad example. Emilia was saying that we have QMS system where we have market leader currently, when I restructured that 2004 or three or whatever. I was, young boy then, we spend a lot of money in R&D and nothing came out. We took two thirds of R&D spend away and since then our market share has started to increase. There has to be a good reason for R&D organization to get the money and then it's well spent. However, if you just increase the spending, then maybe your paper is not the best.

Mikael Doepel: We are back to a lot of cash flow then.

Pasi Laine: Of course we increase our R&D spending whenever we can afford it. Then you were saying that we are picky. Maybe, but then one has to think of the payback. If we are not selecting the acquisition targets well, then our profitability will not improve and market share will not improve either. You can easily make a fancy acquisition and then two or three years later, you'll tell that wasn't good idea. Then we are long term and our investors are long term and I hope they appreciate that we are reasonably careful. Like Katri was showing, we have spent two billion in acquisitions and mergers. I think it shows that we have been actually quite active.

Mikael Doepel: Thank you.

Pekka Rouhiainen: All right. There's a question from the middle.

Jarkko Tuominen: Yes, Parkkinen Markets. One question regarding China. What do you see at the moment in China when you are discussing with your customers in China? Has there been some changes when it comes to investment environment? Then another question, what if something unexpected happens in China? Like political issues or something like that? What kind of impact will it have to your business?

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Pasi Laine: Yes. Unluckily, I haven't been traveling to China for some years now, which I have to admit, but I am going there in April. I have to actually refer what I'm hearing from our Chinese organization. Customers were investing quite actively in 2020, '21 '22 and '23, of course, is still to be seen. However, our service market has been active there has been developing well. Like you all have been reading, Chinese economy is growing less than earlier, but then of course, the absolute number away from the crowd comes is bigger. Of course, the crowd is still quite sizable. We have active sales cases in China and those customers are trusting to future. I think all of my colleagues were saying that we have possibilities in China. Then thinking about if something bad happens with the relationship between China and Western world, then let's hope that it will not happen, then if it happens, China continues to be a big market. We have good operations there and we'll continue to be there. Then in almost all of the businesses, we have also other supply chains available and we can serve the rest of the world if needed from other sources as well. There are couple exceptions, but only couple exceptions.

Jarkko Tuominen: Okay. Many thanks.

Pekka Rouhiainen: Okay, there some questions still here on the online front. First on the kind of longer comment here regarding the strategy, which is kind of unchanged and mentioned here that that's a good thing. However, what about on the pulp side? Now the market share has somewhat declined. Is there a need to somehow make some changes in the pulp?

Pasi Laine: Sami has answered to the question already once. Let's hear another answer.

Sami Riekkola: Another version of the answer. I think the chances is what we are doing or how we are continuing to develop the pulp business is to further develop the competitiveness of our offering and our own operations in deliveries, including like, Katri also repeated the supply chain engineering and the project operations. Many topics are underway and a lot of development is happening. I don't see radical changes being needed, just basic work that we are already doing and actions that are already in place.

Pekka Rouhiainen: Good. Thank you. Then on the services regarding the M&A opportunities in services, do you see that there are still M&A opportunities in the services front?

Sami Riekkola: Well, I think this is partly answered today also. Of course, there are some but the number is more limited and we have different technology areas. The answer maybe varying based on the technology area, too. However, we have some cases and of course we are looking at actively the market and looking at the opportunities, but like Pasi referred, it takes time. If they move ahead and we are actively working on that and we will see whether something goes to material at some point.

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Pekka Rouhiainen: Thanks. Okay. Then we can still take one question here from the floor if somebody has some final concluding questions. If not, we will then start to conclude the event. Thank you for the audience, for the active participation and the discussion. Thank you for the presenters of course, the Valmet team. I would also like to thank my IR colleagues. Thank you very much for the big job that you have done to make this event happen today. This is now the time to say goodbye for the virtual audience. Here at Hanasaari, I would still one more time ask people to fill out the questionnaire forms that we gave to you, any feedback is highly appreciated. You can give the feedback forms. For example, when you are leaving to the members of the IR team. Then for the live audience, we will be serving some refreshments still in the lounge area after the event. Right now, thank you.