

Transcript of Valmet Capital Markets Day 2025

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00:00:38 - 00:01:52

Pekka Rouhiainen: [music] [silence 00:00:31-00:00:37] Welcome to Tampere, home of Valmet Automation. Welcome to Valmet Capital Markets Day 2025. The main themes of today's presentations will touch upon Valmet's new strategy, published yesterday, and the new financial targets, published yesterday. We will have the key management of Valmet presenting here today, and they're also available for Q&A sessions. After their presentations, we will take questions here in the live audience. It's excellent to see such a big crowd here. Also, from the digital platform, webcast viewers, please be active and post your questions through the digital platform. After the presentations, there will be a dedicated breakout session where you can get to know the people here on site at Tampere, to learn a little bit more about Valmet's Automation Solutions offering. With that, I hand over to Thomas. [music] [silence 00:01:46:00:01:52]

00:01:53 - 00:03:14

Thomas Hinnerskov: A very warm welcome from me. I'm very happy that you have taken the time to actually spend your afternoon with us here in Tampere. I know my team and I, we've been very excited about sharing some of the thoughts that we've had, and we've spent a lot of time over the last couple of months and really sort of insight into that. I hope we will have great discussions and a great afternoon together. I started middle of August last year. The first six months I really travel extensively throughout the Valmet world to one end of the world to another, and really to visit as many sites and as many Valmet's employees and as many customers as possible, really, to get the feeling of the business, culture, and what Valmet is all about. I want to share one story from some of those travels. At the end of last year, we met a very large and important customer of ours. The CEO and I were having a casual conversation over coffee after the actual meeting.

00:03:15 - 00:04:47

Thomas Hinnerskov: He said to me: "You know what, Thomas? One thing you should know is, you guys come across as two. You're the equipment capital part of Valmet, and then there is the service part of Valmet." I was like: "Okay. Tell me more." He was like: "It is a little bit of an issue, because you should know when we make our CapEx or investment decisions, we don't think of it as a project or this is it. We think about you being in our core business. This is manufacturing equipment for us. This is our core business that I'm investing in, and it needs to deliver an outcome over the next 25, 30 years. Your service performance, your ability to make sure that the equipment runs in an optimal way, giving the optimal output, actually impacts our buying decision upfront." Later on, several other customers that I've met have confirmed that thinking, which is quite obvious when you think about it. However, that's also what you're going to hear today. That's full lifecycle thinking about, we're in the core business of our customers. Our equipment delivers an outcome from them that they're eventually going to sell to their customers.

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Thomas Hinnerskov: That you're going to hear a lot about today. You might have noticed we're really raising the bar in terms of our ambition. We want to deliver five percent organic growth. We want to deliver a 15 percent contour comparable EBITDA margin. We want to deliver the five plus 15 equals 20 percent comparable ROCE. We're very confident that we're going to do that. Three things make us confident about that. First, we're launching the new strategy, Lead The Way, which is more focused, more bold more executable than before. We're based on strong fundamentals. You're going to see some of those fundamentals today when you're here in Tampere. We're also basing it is being supported by a new operating model that we're already implementing as we speak. We launched that, or we announced that back at the end of March this year, and we'll go live on 1st of July. Let's first look at the strategy and the strategic direction that we are traveling in. Lead The Way. What is it all about? We are going to transform industries towards a more

regenerative tomorrow. That's our purpose. That's why we exist as a company. That's why we get up in the morning as Valmet employees.

00:06:20 - 00:07:37

Thomas Hinnerkov: That's why we are excited. That's why we are engaged. This is why we are here. You can then ask, "What do you mean by regenerative?" For us, it's quite simple. It means to reuse raw materials and use fewer raw materials. We'll live in a world where raw materials are scarce, so we need to reuse them. We need to reuse less of them. That's why we're going to deliver that purpose with two missions, one for our Biomaterial Solutions and Services, which is about reuse, so advanced circularity. The other one is Process Performance Solutions, which is about unlocking resource efficiency. We use less. Seymour and Amelia are going to talk about the process performance solutions, and Petri and Sami are going to talk more about our biomaterial business. Some of the fundamentals in these two different parts of our business in these two missions are actually a bit the same. This lifecycle that I talked about that we need to take good care of our customers all the way through. We are in their core business. We are the reason why they produce and sell.

00:07:37 - 00:08:53

Thomas Hinnerkov: If we can do it more and help them be more effective, they can have a better business. That's why this life cycle is so important across. When it comes to our Process Performance Solution, we might not be the actual manufacturing equipment that produces an outcome, but we are part of it, and we are for sure mission-critical. That's also why if we can help our customers solve problems in a better, more effective way than anyone else, we have an advantage. This innovation, using technology to solve customers' problems, is really important. That's also why in the future we're going to try to do more co-creation together with customers. We're already doing it to a large extent today, but we want to do more together and partner with our customers and figure out what would really add the most value to you that we can help you solve. Then we have an opportunity in a biomaterial. Aki is going to talk more about that. It is really about driving cost competitiveness, consolidating our whole footprint using our scale to a large extent and being more cost competitive, which also can expand the margin.

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Thomas Hinnerkov: We've done that consolidation already in our process performance solutions. They are together as one, and they are similarly driving that if we want to do on the biomaterial. However, with Niemi, you're going to see more of that today. If you want to optimize resource use and you want to be resource-efficient, you need to use technology. That's also why we took you here today, because here we're doing that, and we need to do more of that and have more innovations around that. That is going to drive the future. That's where we're going. This is the strategic direction. Let's just talk briefly about where we are starting from. We have 225 years of amazing Finnish industrial legacy. We've done everything you can possibly think of or come across with steel. We've done ships, we've done metro cars, we've done elevators. There was an elevator in this town I know from not that long ago. We've done all sorts of things, and it's pretty amazing. We've always, during those 225 years, been able to stay relevant to our customers in the market. You don't have a successful business for that long if you are not really on your toes.

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Thomas Hinnerkov: That's also why we're confident that we can continue doing that. The business we have today we are still technology, a leader in it. We are still number one in it. We've got a good platform that we're starting from. It's also clear that our performance, from our financial perspective, has plateaued over the last couple of years, and we're not happy with that. The question is, can we do better than what we've done in the last couple of years? The answer is, absolutely. There's no doubt that we can do better. Let's talk a little bit about how we're going to do that. We have this starting point. We are world world-leading technology. We've got a big installed base. We're out with the customers. We need to help them. We've got an opportunity to help them become more successful in their markets. We've got great people with a lot of capabilities. When I've traveled around the world meeting all these Valmetees, having all these town halls, all these meetings, these fireside chats, et cetera. I have to say that I've been impressed with the functional expertise, the passion for it, and I'm sure we can redirect that a little bit more.

00:11:43 - 00:13:08

Thomas Hinnerkov: We can get a lot out of it. Standing on that, we're going to pull three levers to really up our game. We're more focused, with more bolder strategy. That's what we're here to hear more about today.

Renewed operating model. We launched it in March. We're implementing it. We speak. It goes live first in July. Then we're going to evolve our culture a bit to be bolder and faster in the execution. We'll talk more about that as well. Let's look at these three individually and go a little bit more into the depth of this. The strategy. Customer success. We have technology. We are great at technology. The purpose of that is to drive or help the customer be successful and solve their problems with technology. That's what it's all about. We need to do it over the life cycle. That's why we say life cycle commitment. Then comes the global competitiveness. You need to be competitive from a global perspective. We need to utilize our global footprint. We need to utilize our scale in a better and more effective way than we've ever done before. That's what we're going to do when we consolidate all those manufacturing supply chain parts into our global supply when it comes to the biomaterial.

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Thomas Hinnerkov: Aki will talk more about that today. It's exciting, what we think the opportunity is that lies there. Then accountability. Some of us talked about it over lunch. We live in a very dynamic world. The only way to run a business in an effective way, in such a dynamic world, is to solve the problems, the challenges, the issues, whatever comes up, close to where they are. There you have the context. You have the knowledge to solve them. Let's solve them there. That's why we need this operating model to roll clarity so that we can fully empower and say that you figure it out. You're fully accountable for the outcome of it, and that's why our accountability becomes such a big thing for us. Then you can act in the most dynamic world. Things can happen. However, when we have a cable-engaged team who are willing to take that accountability and that empowerment and run with it, then you solve problems. That's also how you get the clock speed up in an organization that is so big, so diverse, and so distributed as ours. Let's talk a little bit more about that operating model as well. We've got one purpose. To transform industries to a more regenerative tomorrow.

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Thomas Hinnerkov: That would be delivered by two focus missions. One for biomaterials, which is about advancing circularity. One, for process performance solutions, was about unlocking resource efficiency, which will be delivered by five strong business areas. With some additional investment in customer proximity, when it comes to Latin America and China. We'll have great cost competitiveness with our global supply, where we really will utilize our size and our strength and our footprint around the world. Finally, we're taking those overlaps out of our global functions and making them true global and integrated so that they can support the business as best as possible with the right data, the right information, the right people, the right capabilities, the right talent management, et cetera. One reflection may also be in the latest travels that I made late, after we announced the new operating model end of March. I've done some town halls, some very large, important sites, just to, first of all, be transparent. Tell people about what we are trying to achieve, create more clarity around the change, and also just get the feeling of how people feel about this.

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Thomas Hinnerkov: When you say that you're going to take out a thousand people, it creates some thoughts and emotions within the employee that we have. Clear enough. One of the things I was very positively surprised about, and I understand as a CEO, you don't get all the truth. You do get a tainted picture, but still, a lot of people at these town halls came up to me and said that, finally, Thomas, someone is taking this. It has been so complex. We have too many people that I need to align with. It's taken me too long to act. Especially, the service people have come up with that, which is even more comforting because we are going to double the service growth going forward. That's our target. We're not happy with the market share development in our service. We want to drive it further. We're going to make three strategic shifts. The first one is this team that takes care of the customer, making sure we convert from the equipment sales to the service sales through the modernization or whatever comes in the future. With that, we can help the customer in an optimal state all the time with their manufacturing in their core business.

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Thomas Hinnerkov: You're going to stay close to our customers with end-to-end accountability, fewer people to align with, fewer people to ask. Let's just go and do the business. You know what to do. You're fully empowered to do it. Let's solve the problems for the customer. Then, with these five business areas, we're taking a more customer-segmented approach. You need to start to understand a larger, or we're able to understand the customer's real, true pain points in this segment. Hence, we're able to help solve and develop together with them, maybe digital solutions that unlock value for them so they can be more successful in their

markets. That's why we believe that we can deliver those and double the organic growth that we've seen so far. Let's talk about the mindset. The essence of a lot of this and a lot of these discussions that we've had so far. The essence is about six strategic mind shifts that we're going to do and make in the organization. One is the passion for technology. We love technology. There's nothing cooler than technology. If you go here or if you could go a little bit behind the scenes, you would feel that it's just like: "Whoa. Thomas, I need to show you this way."

00:18:42 - 00:20:01

Thomas Hinnerkov: They have this, which is amazing. However, I have to give it to the Finns. They're just amazing engineers. They love their technology. They're great at it. We just need to think about the purpose of having great technology is to solve real, difficult customer problems, because then you can commercialize it. You help your customer, you sell it. That's why we go from this technology first to customer success. We still are passionate and should be passionate about technology. Back to the CEO that we talked about, whom I met. He said that you're separated. Your projects and your service. We need to have one Valmet. The customer needs to think of us as a key partner, no matter where they are in that chain of life cycle. Matrix and complex. That's what we are addressing with the new operating model. We're taking complexity out for the sake of the organization. There are too many people to align with, when you're three in a box, it's just becomes very difficult and very challenging. That's why we need to simplify. We need to go to this fully empowered, fully accountable, capable person who just solves the problem where the problem is.

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Thomas Hinnerkov: Also, some of our, let's say, employee engagement surveys shows that we really have an opportunity there to simplify our internal processes, simplify how we work together, and just speed up. Continuous improvement to bold multi-year targets. There might be question later on also on R&D and investment and so on. It's much easier when you have a multi-year target than if you think sort of 12 months at a time. In 12 months, it's hard to make really bold moves that move the needle and saying that I might not get the return this year, but I for sure will next year or the year after that. It's the right thing to do. Then you might ask: "But continuous improvement on this, isn't that a great thing? Isn't that a wonderful thing? Isn't that something that a lot of companies talk about?" It's an amazing thing. It's so powerful. It's super powerful. It's in our DNA. It's something we do every day, day in and day out. Everybody should think about how do I improve the role or the function that I do. How can I take the waste out of that? However, it's not strategic. It's not the choice, it's the big strategic needle moving things. It's just something that's in our DNA and blood that we do day in and day out.

00:21:32 - 00:22:58

Thomas Hinnerkov: That's also why we're going from this must win battles with 100 plus initiative on a global scale to much more targeting these 20 initiatives. They're going to deliver big time. They are strategic. All the other stuff is just operational. We're going to focus it down to stop doing certain things, because then you get traction on the things you know that they are strategic. It's great to see that during the strategy process, we've run some different work streams. We've had CEO challenge sessions, and you can see the movement from the first time we had it to the last time we had it. The first time we came up much more with a continuous mindset improvement, lots of things, and a small impact. It's great stuff. Go and do it, but let's not have it as a strategic thing. Think about things that are making a difference for Valmet in your area of responsibility. It's good to see that we are already on this mindset journey of changing the culture, setting the bar higher for ourselves, and being willing to also communicate it externally to say we will. Then the last thing, and some of you, we've talked about it before, accounting focus is great.

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Thomas Hinnerkov: We need to grow the EBITDA, no doubt about it. However, we also need to think about the return on capital employed. That's why we are putting more financial performance metrics into how we do our performance management within the company. Rosy, for example, that's the reason why it's also been the target. I need to be able to go to the organization and say: "Great. That's a simple, good idea. How is that going to help us on our five 15, 20." Then they say: "But you need to choose one of those." I say: "No, I want them." That's a really good way. That's why we're going to lead the way. We'd be more ambitious than anyone else in the industry. We're going to take charge of our own destiny. We're basing it on strong fundamentals. We're standing on solid ground, great technology, technology leader in most of our areas of expertise. We're going to support that with a new operating model, clearer roles, full empowerment, and full accountability for what

you do. Then it's going to be delivered by a passionate, engaged, capable and empowered team that we call Valmeteers. With that, we will get to five, 15, 20. You're going to hear much more about that. Thank you very much. [applause]

00:24:45 - 00:24:56

Pekka Rouhiainen: Thank you, Thomas. Now it's time to go to the Q&A session. Please raise your hand and indicate if you have a question, and we will then deliver the microphones. We start here with Antti Kansanen.

00:24:57 - 00:25:34

Antti Kansanen: Thank you. I'm Antti Kansanen from SEB. Two questions from me. First, Thomas on the ambition to achieve higher growth in services, I fully understand the cultural change. It appears that when you're selling new equipment, you want to get the aftermarket guys more involved. However, if you look at your installed base currently, I would assume your clients face mainly your aftermarket guys, anyways. What kind of potential do you see tapping into the existing installed base? Do you need more resources? Do you need to invest more in local presence in certain areas? How do you look upon that?

00:25:38 - 00:26:32

Thomas Hinnerkov: Good question. Antti. I think we need to think about it in two ways. One is that there's a very large installed base. That's right. There's also a very large aging installed base, so there's also a modernization part to that. That's also where the historical capital has become more in play, and it's a bit more like two teams again. That's where one of the unlocks is, so that we get more both conversion from new but also new modernization and therefore conversion from that. Then it is this thing about speeding things up, both in terms of the development of the service. Let's just call it stuff here, but solutions that can help the customer even more. That will also speed up with this simpler organization, and the go-to-market will be simpler.

00:26:32 - 00:26:42

Antti Kansanen: In investments, do you think you need to strengthen your local presence in any certain areas to gain that market share growth on services?

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Thomas Hinnerkov: It depends a bit on where you're talking about. Whether you're talking about biomaterial or talking about process performance solutions. Biomaterial, I think we cover the market. Process performance solutions would need to invest in certain pockets of capturing growth there, where we think we've got a good opportunity.

00:27:00 - 00:27:27

Antti Kansanen: The second question was about complexity. I understand organizational complexity, and you've been talking about that for some time already. However, if you look at your offering, do you have too many technologies, too many products you've gone through in the past 10 months? What do you have in your hand after making a lot of acquisitions in the past 10 years? How do you look at your portfolio? Are we going to see divestments?

00:27:30 - 00:28:12

Thomas Hinnerkov: That's a good question. As business leaders, you always need to think about complexity. As we talked, growth creates complexity. Complexity kills growth. All the time, you need to think about whether you have complexity in your organization. We're clearly taking that out now. Then there can be a step, and I can say that we have complexity in our offering. I think there's no slam dunk in that regard. We've done a few smaller things very much under the radar, I would say, just recently.

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Antti Kansanen: All right. Thank you.

00:28:16 - 00:28:19

Pekka Rouhiainen: All right, then there was a question from Panu Laitinmäki.

00:28:21 - 00:28:34

Panu Laitinmäki: Thank you. It's Panu Laitinmäki from Danske Bank. I have one question on capital allocation. Those were organic targets. However, do you see potential for M&A, and also, for example, for share buybacks going forward?

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Thomas Hinnerkov: Maybe let's take that under Katris point so that we're not getting ahead of the curve now in the whole presentation, but good question.

00:28:41 - 00:28:42

Panu Laitinmäki: Okay. Thank you.

00:28:45 - 00:28:48

Pekka Rouhiainen: Then there is a question here in the middle.

00:28:48 - 00:29:14

Sindre Sørbye: Sindre Sørbye from Arctic Asset Management. I was a little surprised that you did not mention something specific about R&D at all. Should we expect more targeted R&D, a nominal increase in R&D, or is it more focused? I know you have many ideas, but can you disclose them?

00:29:17 - 00:30:35

Thomas Hinnerkov: I think it's important to think about R&D. Let's think about the shifts we're making. I think that's an easier way to talk about it, and that's the real question when we talk about it internally as well. The focus in terms of R&D, what do we focus on? Are we solving big problems for our customers, or is it just cool technology? That's also where we will have more. If we see opportunities, there could be more of these co-creation opportunities where we really, together with this customer, solve their problems and sort of invest R&D money into that. The third part I would see in terms of the change in mindset on the R&D is that we go from this more annual planning cycle to a multi-year strategy. Where, then, it is easier to say: "We're going to invest in this part. It will pay off in two years when it comes to R&D." We'll have certain things. You can say our mindset changes to be more focused on the customer's problem, co-creation, but also being able to make longer-term investments. You're going to see one where we've made a very long-term investment. If you think about DNA, that's been a very long journey in terms of actually investing in that over the years to get to where we are.

00:30:35 - 00:31:24

Thomas Hinnerkov: Last week, we even launched the DNA for the marine business as well. [silence 00:30:39-00:30:44] However, let me give a further clarification for you, Sindre. I clearly see R&D investment or spending as a way to generate future income and return. Not a cost. That's why we need to look at it. We need to have a focus on it, but also being able to kill projects and say: "This is going into a dead end. Let's not, for good money, go after it anymore. We need to have a good, thorough process when we look at the milestones in our whole R&D system, if you like.

00:31:24 - 00:31:44

Henri Parkkinen: I'm Henri Parkkinen. I was a bit surprised that you don't have a separate margin target for services, given your background that you have run the service. Service business is doing so well. You have a target for the whole business segment, and in a way, it's included. However, where do you see the service margin in five years?

00:31:48 - 00:32:00

Thomas Hinnerkov: I'm sure you've done the math. There's probably an indirect service margin there as well, because otherwise the math just doesn't stack up. I think--

00:32:00 - 00:32:03

Henri Parkkinen: However, having savings means that the business line will be at that 14 percent.

00:32:03 - 00:32:47

Thomas Hinnerkov: However, if you think about it, I think the important thing is also this thing about someone will probably have the question of why I'm not showing the service margins as well. It boils down to

that, operating model-wise, we have to look at it from a customer perspective, outside in, saying they're looking at the lifecycle. Then we also have to look at it from a lifecycle perspective. That's why we are showing the bottom line for the whole lifecycle, not for individual parts of it. That's one. That's also what we've done in the process performance solution business. In the automation and flow control, we've shown the whole thing. We've shown the lifecycle margin, and that's the same approach that we're taking now.

00:32:47 - 00:32:49

Henri Parkkinen: Okay.

00:32:49 - 00:33:06

Pekka Rouhiainen: Let's take a question also from the digital platforms. There's one coming from Sven Weier. There's an eight percent target to grow in the biomaterial services. How does the bridge work to achieve into group growth of five percent?

00:33:08 - 00:34:05

Thomas Hinnerkov: That's a Good question. It's nice that you've joined. I'm sure you're watching us as we speak. There are a couple of things. We do see the growth over the cycle, but we are also saying Kgal as well. The other thing is that we would much rather rely internally on service growth, because the install base is there. Let's take that share that we should have when we look at our install base market share as well. That's something that you can drive much more. Whereas the overall growth will be impacted by cyclicity in the business, and can be quite binary from one year to the next because of large projects as well. I assume he's thinking about the biomaterial business, not the overall. What does he say?

00:34:08 - 00:34:21

Pekka Rouhiainen: Yes, the overall group five percent target. Then another one here on the online platform is about customer relationships. How will you, as a new CEO, ensure that Valmet has strong customer relationships?

00:34:25 - 00:35:02

Thomas Hinnerkov: As CEO, you're also a very high-key account manager at the end of the day. I've been visiting a lot of customers throughout these first 10 months, and I continue doing that. I'm having a customer meeting next week, quite far away from here. As I said, I've talked with a lot of different customers. It is important that I have the relationship on the right level with these customers, and that's also what is happening. I enjoy doing it, so it's a fun thing as well.

00:35:04 - 00:35:13

Pekka Rouhiainen: Good. Do we still have questions here on the live audience? There seems to be one from Antti.

00:35:14 - 00:35:39

Antti Kansanen: I'll ask a follow-up. On the life cycle approach, and not looking at the aftermarket or OE margin separately. Do you think it will approach a change in your approach to pricing on the OE side? Do you think growth and expanding your installed base becomes even more critical for you, or do you think you will be more conscious on the margins that you are booking on the OE side, even if it's not separately reported?

00:35:40 - 00:36:29

Thomas Hinnerkov: I think we become more strategic about it overall because it is about driving the overall margin up. Why are we also boiling down to the cost competitiveness? That improvement in cost competitiveness is not going to go to us all of it. It also has to throw some of that into actually winning market share in that. We need to think about it strategically and be cognizant also about the individual projects as well. Where is the price point for this project in the margin or in the market for this kind of solution and this part of the world? Then be cognizant about do we want to bid for it or rather avoid it? However, overall, pricing is also a topic.

00:36:31 - 00:36:35

Antti Kansanen: You're not going to subsidize loss-making in the OE business with strong ROCE.

00:36:35 - 00:37:02

Thomas Hinnerskov: We'll try not to. I think the real answer is, Antti, just to be clear. I think the purpose of reporting it as one is that's how we should manage it, that is how we are managing it, and we'll be managing from the 1st of July. That's the real answer. That's not about going into a lot of negative margin projects to then later on recoup from that.

00:37:03 - 00:37:04

Antti Kansanen: Fair enough.

00:37:05 - 00:37:12

Pekka Rouhiainen: Thank you. Thomas, thank you for the good questions. We now move on to the Biomaterial Solutions and Services part.

00:37:13 - 00:37:13

Thomas Hinnerskov: Thank you.

00:37:13 - 00:38:55

Sami Riekkola: [music] [silence 00:37:24-00:37:36] Good afternoon, on my behalf as well. We need some extra support for the next topic, as we have something new and important to talk about. The new things will be delivered with a lot of expertise. We have, together with Petri and Aki, over 80 years of Valmet experience. Whatever news will be delivered, it's anyways coming with the expertise. We will now be talking about the Biomaterials Solutions and Services business segment. We will be talking a lot about the life cycle, install base, technology and co-creation and co-innovation with our customers. We are then happy to receive your questions and comments, particularly on those service parts and the targets related to growing the services. That's essentially what we are now going to be talking about. Biomaterials Solutions and Services business segments. We're having three business area organizations with full lifecycle accountability, being the pulp, energy and circularity, packaging and paper, and our tissue business areas. All together, the segment is about €4 billion business segment delivering 10.5 percent of EBITDA margin.

00:38:56 - 00:40:21

Sami Riekkola: As you can see, already 50 percent is services, and we have been growing. The growth across the past 10 years have been approximately three percent. The target is to grow that. We're going to be looking at these growth elements. What the position in the markets is, what we are going to be doing with our installed base, with our technologies and how we will be then innovating with our customers. Importantly, looking at how we are driving the cost competitiveness, then boosting and serving ourselves to win the market share and be more competitive. Strategic priorities. As Thomas already mentioned, we aim to grow our services by more than doubling our track record, beating the eight percent target. We are on the path and in the mission to grow our profitability to be 14 percent of EBITDA margin. We are doing that with a new operating model which is supporting the lifecycle approach, tying in the services offering to what we do in capital projects and then working with the lifecycle towards our customers' benefit.

00:40:22 - 00:41:43

Sami Riekkola: Also, organizing our troops in a way of the fastest possible service level to the customers. We are driving cost competitiveness and innovating together with our customers. Then let's look at the starting points where we are in terms of different parts of the market, being pulp energy and circularity, packaging and paper and tissue. Pulp, energy and circularity as one of the business segments. We are either number one or two in our markets. In packaging and paper, and also in tissue, Petri has a pretty good starting point of being the number one and the technology segment throughout the world. In fact, those of you who are not influencers and have phones in their hands are probably holding our booklets. There is a 50 percent chance that the booklet is being manufactured on Valmet's made technology. Petri and the team have confirmed that it is made on Valmet's technology. In the services we are either number one or two, depending on the market segment. We do consider these to be good market segments in which we are going with our customers and developing the technology forward.

00:41:43 - 00:43:24

Sami Riekkola: However, there still is room to grow both in the technology part and in the services. Then, as I

already said, it's a good market to be in, that we believe in, and we can even still serve our customers better. How is the market developing? Let's look at the market space. Over here, the global pulp market is growing by about two percent in annual terms. The growth is coming and is driven by the growth in hygienic products, mainly tissue, and then also packaging. Also, the global pulp demand is growing. However, there are currently market areas which are particularly suffering from overcapacity, but also this market space will be gradually filled up with the increased demand. Whether they are efficiency-related improvements or new capacity that is being built, our customers need our support in both of those. Then, including the services, the demand growth is providing and driving further growth in the service demand. Then tissue, where our market position is already very strong, from the manufacturing to the converting lines down to the customer-packed role of tissue. Growth is strong and driven by the standard of living increases and urbanization as well.

00:43:24 - 00:43:48

Sami Riekkola: We are in a good market with strong positions. Our market position, as already shown, is good. However, we see a lot of potential still through the integrated life cycle offering and focus on growing further. Then we're going to be looking further into the life cycle. What we mean by that and what the targets are. Petri, you're on.

00:43:48 - 00:45:08

Petri Rasinmäki: Thanks, Sami. The life cycle, like Thomas thought, it's extremely important. It's important for our customers simply because they are making sizable investments in our equipment. They want to make sure that it's not just started up, but it's ramped up to full capacity as efficiently, as fast as possible. Hence, the asset continues to remain current and at high capacity also for the years and decades to come. It's very important. It's one of the main value drivers, why the customers are buying the capital technology from us. It's very important for us. It's one of the main areas in our path towards biomaterial service growth of eight percent and the comparable EBITDA margin of 14 percent, so it's clearly important. What is Lifecycle Services? By definition, it is the entire lifecycle of the customer value creation. From the initial capital sales quotation to the startup, to the actual end of life of the equipment. It is long. I'm going to talk a little bit more about the initial phase of our life cycle potential, and Sami is going to continue on the installed base opportunities.

00:45:09 - 00:46:38

Petri Rasinmäki: However, this life cycle concept is not a new thing. Valmet's been talking about it also in the past. What's changing? That's a good question. We have identified additional growth areas, and we are changing our operational model to grasp them. That's it. With our new operational model, we are increasing the focus on services. In the new business areas, we have the capital process equipment and the services organized next and very close to each other. That will amplify the service focus on the initial capital delivery phase. Indeed, we have identified great potential there. Our best projects deliver twice the service value than the average ones. There are opportunities there. We're going to grasp it. Another clear benefit is that we are more flexibly able to cross-utilize our resources, no matter for R&D or product management or delivery operations. Also, in the new operational model, the business areas are organized by the customer industries, and that brings a significant value for us, so that the customer is the same for everybody in the organization. That's very valuable and important.

00:46:38 - 00:47:53

Petri Rasinmäki: We are better able to focus on the customer, industry-specific value creation and delivery. The service and support needs vary between the customer industries. We will have a better focus on that, and we will also be better able to utilize our existing customer or segment-specific offering. Those will be improved. We have a great market position. We have the widest offering in the market. We are operating in the demand growth areas. We have identified growth opportunities, and we are changing our operational model to grasp it. That's great. However, what about the customer? What do the customers think about our value creation from a lifecycle perspective? Let's hear it. Here's Francisco Razzolini and Mr. Cardoso from Klabin. [music]

00:47:53 - 00:48:40

Klabin video: Our historic riverbed began many decades ago with the supply of a recovery boiler, and has been expanding over time. Over time, Valmet has completely understood our needs, our challenges, and brought a very experienced team to help our development. One example was the joint development of Klabin's PM-27, the world's first 100 percent eucalyptus-based kraftliner machine. The success case gave us confidence to

expand our partnership with Valmet, and again led to another nice project. Over the last 10 years, Valmet's technology helped Klabin to install two-and-a-half million tonnes of pulp and paper capacity, which represents today 55 percent of Klabin's total portfolio.

00:48:40 - 00:49:30

Klabin video: I see Valmet as a strategic partner. For me, the life cycle is from the design to the quality of the relationship after the startup, and that has been very good for us. An example of that was our general shutdown last year, which we designed every detail together with Valmet. As a result, we resumed the operations on time and with very good results and quality targets and safety. [music] [silence 00:49:22-00:49:29]

00:49:30 - 00:50:58

Petri Rasinmäki: They were quite content about the additional value Valmet has brought over the life cycle. However, Klabin is about board making. Klabin is about pulp making. What about tissue? Did Valmet acquire additional technology for tissue converting and add to the portfolio? Yes, we did a year and a half ago. Now this conversion has been fully integrated into our portfolio. We have a full mill-scale end-to-end portfolio available for our customers. From stock preparation to the tissue machine, tissue making to the tissue converting and its packaging. That's unique in the market. Nobody else has it. This is great from a capital business perspective. We are very positive and happy with how the customers were positively surprised by how well they have understood the synergy of the full mill-scale project from one supplier. However, it's also benefiting the life cycle support and approach, and it has a big impact on that. With the mill-scale possibilities that we have and the understanding, we are able to better support the customer already from the planning phase. This is when they are planning the investment regarding the layouts, the calculations for the capacities, et cetera.

00:50:59 - 00:52:26

Petri Rasinmäki: We now have the capability to also develop the products if they require the maintenance establishment, et cetera. That's a great way to start a relationship for a new project, especially with a new customer. For the tissue machine, we already have a good support concept where the important ramp-ups are done as fast as possible. We raised 20 percent faster ramp-ups compared to some of the competitors, and the speed level of our machines is the highest in the world. The biggest, probably new thing is on the converting side, especially after last year's acquisition of the factory, which is an artificial intelligence-based copilot that helps the operators. It will assist the operator to run the machines more efficiently. I think the results have been quite remarkable. There are three to eight percent overall equipment efficiency improvements, and the customers have been very happy. That's unique. However, the unique thing is the possibility for us now to combine the full mill-level efficiency. Now that we have the full technology offering, and as we know, traditionally, the tissue mills have been run like two islands.

00:52:26 - 00:53:25

Petri Rasinmäki: The paper machine is one island, and the converting is another one, and they are not really connected. One produces the base stuff for the other, and it runs as it possibly can. However, with our full technology approach, we can utilize the data from the paper machine for the benefit of the converting efficiency. That's new and unique. In fact, if we look at our key capabilities in the decision-making and compare it there's no comparison in the market with our competition, especially if we look at the service offering and the digital solutions area. That is a great opportunity. That is one part of our journey going towards the present service growth of 14 percent EBITDA. Sami, what about the installed base opportunities?

00:53:26 - 00:54:44

Sami Riekkola: Yes. Not only that the booklets in your hands have a 50 percent probability of being manufactured with our equipment. However, our installed base is truly providing us a unique opportunity to increase and improve our service sales and services collaboration with the customers. How do we unlock these opportunities and potential further to go from four percent services growth to eight percent? We are seeing this installed base being the number one driver over there. However, it is being enabled with the new operating model of unifying the troops, addressing the customer industry segments. Then, further utilizing the data that we have of our installed base. As you know, we have made in Tampere automation systems with most of our installed base, which is now producing for our customer base. We have a rather unique opportunity to also provide the customers with insight into the condition of their goods and the installed base

that we have. Then, we have been looking at our offering, and we have been looking at our markets. If you compare that with the market share of the others, we have been identifying the growth pockets.

00:54:44 - 00:56:16

Sami Riekkola: With targeted investments, we are able to address, for example, spare parts, consumables and then certain market areas where we are not yet fully tapping the potential. We're provided already with the existing installed base, but then taking the full lifecycle offering and delivering that in the upcoming and new delivery projects. We then provide to the customers in the form of agreements, spare parts, consumables and the shutdown services going forward. Then our target is ultimately 8 percent services growth, but the real long-term target towards 2030 is to own 25 percent of the market we are presently serving and take that 21 percent, which is already after a good growth in the past 10 years. We have been growing our services to two billion as it is presently. Taking that then into the new level and the new market share level as well, and increasing that by better serving our customers faster in terms of speed to react, utilizing the installed base data, utilizing digital tools, for example, e-commerce better on and then those growth pockets that have been identified. So there is a plan, and the plan is also heavily based on further improving our cost competitiveness.

00:56:17 - 00:56:31

Sami Riekkola: It is the basis on which we have now decided to implement this global supply organization, and Aki will then be telling more about the cost competitiveness and how our global supply organization will be driving that forward.

00:56:32 - 00:58:26

Aki Niemi: Thank you, Sami. I started our China operations roughly 14 years ago. Now I'm taking it to the global level. Like Thomas said, it's a big change for Valmet. What does this global supply mean in the Valmet context? It signals a step change in our ambition for cost competitiveness. For biomaterial solutions and services, we deliver direct procurement, most production activities, logistics and warehousing. For Valmet, we deliver indirect procurement, health, safety environment, quality management, and facilities access. What is the potential upside when we succeed in this initiative? It will be €100 billion by 2030. It comes through cost-competitive sourcing. We have plenty of opportunities to increase cost competitiveness through sourcing outside Nordics. We can further consolidate our supply base and get volume benefits. We can also optimize our production footprint across 37 production facilities. What will change? Today, we are organized around business lines. Each business line has its own supply organization and manufacturing facilities.

00:58:28 - 01:00:12

Aki Niemi: That has led, to a certain degree, to a fragmented supply base, and also partly suboptimized production footprint. Therefore, when we move now into the single centrally managed global supply organization, it will enable us to first consolidate our global volumes and seek benefits through the volumes, but also through selecting our partners globally. Then it also enables us to share production assets. Then we can optimize the loading and the footprint, and the need for different kinds of capabilities around the globe. By having central teams, we have naturally much stronger category teams, much stronger competence pools to execute needed actions. We have heard already today that we have a very volatile world. This kind of central capability is very necessary to react fast to a changing environment. This centralized organization will give us faster decision-making and execution. We have, roughly, 4,500 employees working in global supply, and as I said, 37 facilities in nine countries. What are the benefits? We will set a target step improvement in our competitiveness.

01:00:12 - 01:01:44

Aki Niemi: It comes through cost competitiveness and resiliency. We drive it through cost-competitive country sourcing. We have the potential to improve that significantly. We can consolidate our supply base and get these global volume benefits. We will also, for resiliency, implement a minimum dual sourcing strategy. We have resiliency when the tides of global trade change. We have seen in the past five years that that is necessary. Then, also through this global organization, we can optimize our production footprint. We have five different kinds of businesses that we serve, but still we have capability to optimize inside those businesses. We also have a very clear plan for how we optimize our inventories and how we improve our logistics efficiency. Through this central capability, we have a faster capability to move and develop our capability, for instance, in India, for delivering cost-competitive supplies. I think that it's also very relevant to think about how we protect

our intellectual property rights when you go to cost-competitive countries, because the protection is not necessarily so good.

01:01:44 - 01:02:04

Aki Niemi: Then you have to have a strategy for how you manage it in companies benefit. We are after these 100 million benefits. However, I think cost competitiveness alone is not going to be enough. We want to be the technology leader.

01:02:05 - 01:03:40

Petri Rasinmäki: Absolutely. As we know that another big failure driver for customers to buy. Not just our capital equipment, but also the service products such as consumables, purpose, et cetera, are price-to-performance. Global supply certainly will support that equation, but so will our innovation and R&D. Obviously, we will be doing the R&D for our customers to address their problems, often doing more with less raw materials, et cetera, improving the efficiency and production capacity and output, and also reducing the cost. That's a part of our R&D. We are actually doing cost competitiveness work there as well. That's a big part of our DNA. That's what we are known for, and we will nurture that in our work, also in the future. There are also additional opportunities addressing bigger problems, not necessarily tackling our target market, but more adjacent new growth opportunities, and heavily related to the circularity. I'll give you a couple of examples. The other one aimed to reduce the use of plastics, and the other one is targeting to handle the actual plastic waste problem.

01:03:40 - 01:04:48

Petri Rasinmäki: I'll start from molded fiber, which is a very interesting segment. It's the fastest-growing packaging segment at the moment, in absolute terms. The main target for us is to address the food serving market by replacing plastic there. Our concept is with our technology, high capacity, fewer resources operators, with high automation, good quality and thus could cost competitiveness for the end product. We are doing that work at the moment with Metsä. We have a demo plant in Äänekoski. Metsä has already announced the feasibility study for the first mill-scale investment. The market segment, in general, going further in the future, looks very good. We have the full possibility for the fully circular approach as well, so recycled fiber can be used in the process. Sami, what about the plastic waste handling?

01:04:48 - 01:06:17

Sami Riekkola: Thanks, Petri. Petri is working, and we are working to get rid of the plastic in as many value streams as possible. We're removing and replacing with regenerative alternatives, for example, the molded fiber. Then we have been developing, and as you already stated in the previous CMD as well, the pyrolysis technology adjacent to our fluidized bed technology. We then spoke of biomass to bio oil and biomass to chemicals. However, we have been further developing the pyrolysis technology, here in Tampere, in our research center. We have now been developing the pyrolysis to be the platform for providing a scale-efficient alternative for recycling plastic waste. One of the most significant problems in the current society is recycling plastic waste efficiently. One alternative, naturally, is to incinerate that as waste-to-energy, where we have solutions as well. However, providing this circular economy-directed alternative. Going forward, we are ready with the commercial-scale pilots and trials with our partner and are working to provide the solution for the mixed plastic waste. We think that it will be significant opportunity.

01:06:19 - 01:07:41

Sami Riekkola: We are working to develop the technology, and it's always good that we are addressing the technology questions. Here, it's not only our RfOCE, but also focusing on the technologies that are helping us to proceed with ROCE and the relevant KPIs as well. Working with customers continues to be essential for us going forward with the technology development. Go innovating and solving those problems, focusing on our pilot facilities, which continue to be unique in scale, so that we are having to demonstrate the applications, building the concepts together with the clients. It helps us to remain in that technological leadership position, since that is vital. It's going to be one of the core elements of competitiveness. We are aiming to double the services growth and raise the comparable EBITDA by 40 percent by 2030. The elements over there are utilizing better the unique installed base we have, utilizing the organic growth opportunities in the services, and investing in those pockets as well that have been identified to increase that market share.

01:07:41 - 01:08:04

Sami Riekkola: Also, importantly, driving costs out of the entire life cycle chain and maintaining the technology leadership position. With that, thank you. We are ready for the Q&A. [applause]

01:08:04 - 01:08:17

Pekka Rouhiainen: Fantastic. Thank you guys. Let's go to a Q&A. We have about 10 minutes reserved for it. First here from the front, Mikael. [silence 01:08:12-01:08:17]

01:08:17 - 01:08:36

Mikael Doepel: Thank you. I'm Mikael from Nordea. Still on the organic growth target in service of eight percent, you're talking about tapping into your own installed base. You're talking about market share gains. However, what are the underlying market growth that you're expecting for the years? You also target to do bolt-on acquisitions, which you have done in the past.

01:08:39 - 01:09:33

Sami Riekkola: We're looking at each other. Thank you for the question. Eight percent comes naturally with the organic growth, which is then partly also related to the pricing. The elements of growing the services are, as I said, better tapping into the entire life cycle, and customers' past life cycle, and the entire use phase of the technologies from the design to the services phase. With that comes services, spare parts, consumables, and so on. We intend to use the existing installed base and the data we have in there to get better solutions in a faster time, and utilize the potential that is there with our rather unique position related to the installed base.

01:09:34 - 01:09:44

Petri Rasinmäki: The underlying growth, two percent, then the inflation impact on that, and the rest half, roughly, is with our targeted actions to boost the growth buckets.

01:09:45 - 01:10:04

Mikael Doepel: Okay. The second question. In terms of your installed base, how much of that do you cover today with your service offering? Out of the total mills you have out there, how much do you cover, and where could that go in the next five to 10 years?

01:10:05 - 01:10:35

Petri Rasinmäki: On the board side, roughly 40 percent of the installed base is Valmet legacy-based. That's roughly the installed base in the world. Plus, Sami referred to that. It's almost a 50, 50 chance that anywhere you go, you get the Valmet machine-produced paper. Whereas our market share on the services is half of that or a little bit more than half. Those are the dimensions.

01:10:36 - 01:10:39

Mikael Doepel: However, do you see that you could bring that gap to zero?

01:10:40 - 01:10:54

Petri Rasinmäki: Our target now is to increase that to 25 percent overall market share. However, we will continue towards the zero gap. That's the ultimate goal, I suppose, in a little bit longer term.

01:10:55 - 01:10:56

Mikael Doepel: Thank you.

01:10:58 - 01:11:04

Pekka Rouhiainen: We have two questions here. Let's take first from Panu from Danske Bank.

01:11:04 - 01:11:20

Panu Laitinmäki: Thank you. It's Panu Laitinmäki Danske Bank. I have two questions on the 100 million cost savings. First, on the timing, how do you expect them to come through? Is it like you will get some easy gains quite soon, or is it like more back-end loaded or 20 million in five years?

01:11:22 - 01:12:14

Aki Niemi: As we stated, we have a target to achieve by 2030. There are indeed items that are faster to execute, and then there are items that take more time. I would say, in general, that I see that the

procurement-related actions are typically faster to execute. Then what comes to actions, for instance, optimizing our production footprint. It typically requires more effort, possibly some investments, or other development-type activities. Therefore, they normally take more time than a quarter or two. They tend to take some years to develop some capability. That's why we need both, and they will impact. However, I think that probably in the beginning more procurement-heavy, and then later on we will also get more benefits out of this other access.

01:12:15 - 01:12:29

Panu Laitinmäki: Okay. Thanks. The second question was on how you think this will roughly be split into procurement and production. In 37 units, do you expect that to be a much lower number by 2030?

01:12:31 - 01:13:17

Aki Niemi: First of all, I would like to remind you that we have been doing actions throughout the years. If you look at our past, we have been constantly working with our footprint. We have been investing, and we have also been reducing the capacity. As an example, today we are investing in India to grow our facility there. Once we optimize the capability and the need together with the businesses, then there might be some decisions regarding some units. However, those decisions we will make by financial means or financial criteria, and they come one by one. We have not pre-decided anything, for instance, now that we have a plan for how we will develop the footprint.

01:13:18 - 01:13:18

Panu Laitinmäki: Okay. Thank you.

01:13:20 - 01:13:23

Pekka Rouhiainen: Then here in the middle, Antti.

01:13:23 - 01:13:58

Antti Kansanen: Thank you. I'm Antti Kansanen from SEB. I have a question on the reorganization that you're doing right now. Valmet has historically always targeted higher growth on the services than on the OE side, but you've been a little bit siloed into OE people differently and aftermarket people on the other side. There must be a reason for it. I just wanted to understand, is that the industry standard on how your clients are set up? Are you talking with the same people when you are quoting for an equipment delivery versus when you are agreeing on the aftermarket? Is this some kind of different way to operate the industry standard on pulp and paper?

01:14:01 - 01:15:13

Sami Riekkola: That's a very good question. We have been looking at how customers are buying, how customers are doing business, and how, essentially, customers are also valuing and comparing the vendors. Very often, the judgment is based on the total cost of ownership and the full lifecycle of the cost, at least 10 plus years. Then, based on that, we've already been looking into ways to further collaborate. We'd be doing that in the previous organizational setup. However, we do see potential for further aligning the troops working throughout these lifecycle targets of the customer and truly also optimizing the customer's lifecycle costs and, in fact, the value that they get. Very often, this lifecycle value is the main driver. CapEx is one component, and then the overall equipment efficiency and the output and the quality, the safety, and all the other aspects are then following. Maybe not in this industry yet, but we intend to be the ones who take the benefit of doubt first.

01:15:14 - 01:15:34

Panu Laitinmäki: Okay. The second question was on the production footprint. Is there any way to get more flexibility and shared resources? You have different business cycles. Sometimes paper is doing fine, but pulp is not. Is there any way to share resources between the business units more going forward?

01:15:34 - 01:16:40

Aki Niemi: Yes, if I, a little bit more, elaborate, we have a different kind of products that we manufacture for businesses. We have this pulp and paper-related production, which is very much a similar type of capabilities, welding, structure machining, a lot of engineering, et cetera. Then we have a tissue converting type of production, which is more mechanical assembly, electromechanical structures, et cetera. Then we have these

pressure pots for boilers, which are more like welded tube structures. Then we have this consumables manufacturing, which is a different kind of consumables for the paper and pulp industry. Amongst those similar types of capabilities, we can optimize, and there we can find synergies, and also some common development themes. However, when you have, for instance, fabrics, which is a totally different kind of product, it's very difficult to find synergies with the pulp and paper equipment. Within those boundaries, you can optimize.

01:16:41 - 01:16:42

Panu Laitinmäki: Thank you.

01:16:43 - 01:17:29

Pekka Rouhiainen: Thank you for the good questions. As a reminder, there will be a joint Q&A session also towards the end. However, now it's time to take a break. We'll go into a break for 20 minutes. Stay tuned, we'll continue in 20 minutes. Let's now continue on the agenda. Next up is the Process Performance Solution. I invite Emilia and Simo here to the stage. [music] [silence 01:17:20-01:17:29]

01:17:30 - 01:18:45

Emilia Torttila-Miettinen: Good afternoon, ladies and gentlemen. A warm welcome to Tampere. I'm so happy that you are all here in the home of automation. I'm here today with my colleague Simo to tell you all about the Process Performance Solutions great growth segment. Which is all about unlocking resource efficiency for our customers with our intelligent solutions. This is the former Valmet's automation segment, and this name better describes our mission. As Thomas was describing to our customers. However, let's take a look at how we have earned our right to grow and how we plan to accelerate the growth further. This segment is formed of two business areas. Automation solutions and Flow control. During the past years, we have grown to be a 1.5 billion business with reasonable profitability. A bit less than 18 percent in the last 12 months. We have been growing organically, six percent in the market. That has been growing two to three percent and inorganically eight percent. We have been very systematically focusing on developing our offering and technology.

01:18:45 - 01:20:21

Emilia Torttila-Miettinen: The latest releases we have done with our technology investments in the DCS market, Distributed Control Systems with Valmet DNAe. This is the most modern web-based technology there is in the world. Before that, we announced this billboard optimization to the world for pulp mills first. This offering has also been expanded with acquisitions for that. Those have been very strategically, carefully thought out. They are either expanding our technology or our geographical exposure to customers in different areas, as well as getting domain expertise in different customer segments. Flow works have been that for flow control, especially in mining. For automation solutions, it was Siemens gas chromatography last year. This is exposing us more to chemical refining and industrial gases. However, those are not the only reasons for our growth. Let's take a look at our fundamentals in our growth. There are three factors. Our unique leadership position in pulp and paper is a great base to grow a development environment for the most demanding process technologies in the automation world.

01:20:22 - 01:21:46

Emilia Torttila-Miettinen: Those are excellent bases. However, we have a very diversified and attractive portfolio in a wide range of industries and really strong positions in those as well. Last but most importantly, all our solutions are mission-critical to our customers, which creates a very attractive business mix and sustainability advantage to our businesses. Before going to these last two, let's talk a little bit about pulp and paper and its excellent position in that. We have the broadest offering in automation and flow control in the segment. On the left-hand side, you can see the integrated pulp mill and how our segment's offering is truly integrated in all the areas. We are measuring, we are analyzing, we are controlling with all the valves, all the processes. All that data is coming into the DCS control system, which is controlling everything in the plant. With our latest releases, we have also integrated these AI-based mill-wide optimization tools so that customers can truly optimize their full production, open their bottlenecks in production, and also achieve their sustainability targets.

01:21:47 - 01:22:10

Emilia Torttila-Miettinen: With this kind of offering, also combined with our biomaterials services, we are truly

a companion for our customers to achieve success throughout the lifecycle with the equipment they have purchased. Secondly, let's go to Diversified Industries. Simo, you can continue further.

01:22:10 - 01:23:35

Simo Säaskilahti: Thank you, Emilia. Pulp and paper are very important to us, and we are pretty unique in that. However, if you look at our position, it's only about 40 percent of our story. It's even less than that. The strategy of this segment and both of the businesses is really to provide efficiency and reliability across process industries. Already in automation solutions, you can see that half of the business. Almost half of the business is coming outside of pulp and paper. For example, energy and marine are our areas of particular strength. In flow control, we have defined four global growing core industries that we focus on. For example, if you look at the refining and chemicals and renewable energy, and gases, together are over half the flow control business. Pulp and paper is a bit over a quarter. Then our newest core industry, metals and mining, touches less than 10 percent. Then we have a long tail of other industries where we are selling our products to customers like food and beverage, and even pharmaceuticals. Let's talk a bit about the markets that we serve.

01:23:35 - 01:25:11

Simo Säaskilahti: I think the first thing to note is that we are quite happy about the markets that we have decided to focus on, and also very happy and proud about the positions that we have created in them. The market potential is about 16 billion for automation solutions and 15 billion or so for flow control. You can note that our growth is not constrained by the market shares or the size of the market. Despite being very large markets, we have a very strong position in these core markets. You can see that in pulp and paper. There is no doubt, we are the leader. However, as I mentioned in cruise ship automation systems, we are the market leader. Another area where our systems are very, very well positioned, leading in the market, is in bioenergy-type solutions. It's important to note that in addition to that, there's a long list of industries where our DNA has strong references. Interestingly, when you look at where the acquisition of the gas chromatography business takes us, it creates a leadership position in that product area in refining chemicals and industrial gas markets, in flow control, we are a top 10 player in our core industries.

01:25:11 - 01:26:35

Simo Säaskilahti: We are five to seven in refining and chemicals, where we have been working for decades to establish this position. In industrial gas, we are the number one and number two. Then also metals and mining, with the support of the Flowrox acquisition, but not only that, it has put us on the radar in the mining industry. We can now also combine the Neles offering there to have a broader offering for our customers. When we talk about the growth opportunities in these industries, I want to make three points here. First, the beauty of having a strong position in multiple industries is giving us a diversified platform of growth opportunities. Also, different cycles for different industries, slightly different drivers even, and we are in a good position to capture them. Secondly, in all of these areas, the demand for the end product or energy is growing, and hence the production volumes. Thirdly, all of the customers here are working hard to make their processes more sustainable and safer. They're launching new products. That means that they need to touch the processes.

01:26:35 - 01:28:06

Simo Säaskilahti: They need to touch the control valves. For a player like us that works over the life cycle, these three dynamics and our position give us very good growth opportunities in all of these industries. Mission criticality has been mentioned. Let's talk a little bit about what that means. Let me take the example of valves. Valves are not the biggest part of the investment. Maybe in a big process facility, two percent or even less. However, they can be critical in controlling the flows and ensuring the process safety and efficiency. The same applies to control systems. Customers don't want to take risks here. They want to trust their processes and the mission-critical parts to somebody that they can trust. Successful players here have very strong technologies, a lot of references, and capabilities to work over the life cycle, close to the customer service capabilities. Nowadays, we are seeing more and more talk about digitalization capabilities. All of these assets take time and effort to build and maintain. However, when you have them, it creates your license to play, and it creates your sustainable advantage.

01:28:06 - 01:28:47

Simo Säaskilahti: For example, in flow control, we are well known and respected for the quality of our products and the knowledge of our people about the applications and the processes, and the support they can provide over the life cycle for our customers. We have a long list of references, customer approvals, and industry

approvals in these industries, which gives us the license to play. Then I will talk in a while more about our service capabilities, which I feel, and I see, is something that gives us a differentiating edge in this industry.

01:28:49 - 01:30:17

Emilia Torttila-Miettinen: For mission-criticality in automation solutions is something that is at the core. The DCS system is the heart of every process. Nothing works without the controlling system telling that something has to move a valve or something else has to happen. It has to be reliable. It has to be available every time. There are a lot of other things, in addition, that our customers require from operating systems today. Many of the operating and the other operating systems are based on 90s and early 2000 technologies. We felt that it is extremely important that we support our customers with not only reliable technology, which is mandatory anyways. However, also putting the persons in the center so that we are supporting our customers, for example, with their resource efficiency. We can help customers to operate these systems so that they understand what is critical, where they have to focus, and how they will proceed further. In addition to that, we can build different kinds of optimizations with the addition of our, for example, analyzers and measurements. We can guide our customers to understand what they need to do with their processes.

01:30:17 - 01:31:36

Emilia Torttila-Miettinen: That is the value adding that Thomas was also talking about earlier. It is important for our customers, and that is the technology we are investing in. However, this availability and these references are extremely important when we are talking about whether it's an energy plant, whether it's wastewater treatment, or whether it is a pulp mill, or whether it is a cruise ship with 5000 people in the middle of the Caribbean. Nothing can fail. Everything has to work. With this kind of reference, we have an extremely good position globally to expand to whatever industries we are dealing with. In Finland, we have a huge variety of almost all the industries where we are serving. Globally, from India to Europe to South America. That's why we have to have excellent project offices near the customers, because these are big projects done with EPCs or with the final customers. We have to have excellent technical resources to support those lifetimes. Also, what we are investing in our technology development is always this backward compatibility. You don't have to invest in a new system.

01:31:36 - 01:33:08

Emilia Torttila-Miettinen: However, you can upgrade it very gradually and take all the advantages of new technologies bit by bit, whatever is benefiting your process controls, for example. That is also making this very sticky business with our customers as well. Let's go next to a little bit more into this technology, which you will hear from our greatest. It is our most modern in the world, the only web-based, fully cyber-secured system, which is built in cybersecurity and a certified DCS system in the world. You will hear more in the breakout session and how we are integrating different kinds of applications. Even the mill-wide production optimization, which is also in the other breakout session later on. This is a unique way to actually operate and also combine data from outside resources, for example, to optimize, let's say, a hydrogen plant based on electricity prices. All of these things can be done in this one system, which is guiding our customers to operate most efficiently. For that, we already have presence in 37 countries for a wide range of industries, specialists, and that is fairly good coverage already. However, Simo has a bit more still.

01:33:09 - 01:34:33

Simo Sääsکیlahti: Over time, we've built a pretty wide coverage of our service capabilities close to customers. We cover 40 countries, not all of them ourselves, but with our partners. You may have remembered earlier that we talked about also working with distributor partners. Anyways, the service experience is there. This lifetime support is there. The interesting thing is how we include the investment in the digital capabilities. I'll take the example of the install-based data. We have systematically, over the years, recorded where our valves are being installed and gathered that data. We know over 50 percent of the current active valves, where they are, and what they are doing. What does that mean for customers? Let's take the example that when a customer is planning a shutdown, which is a huge project and there are a lot of valves in a plant, some are critical. Some are even more critical. Some are moving a lot of times. Some of them may not be moving that often, but they really need to move when they need to move. How do the customers figure out where to focus? This is where it comes in. That we have the data about their values.

01:34:34 - 01:36:01

Simo Sääsکیlahti: We have the expertise being decades in this industry. We have the closeness. We work

closely with them to help them choose where to put their efforts to ensure the efficiency and reliability of the processes. I think that adds a lot of value. There are many things that we talked about regarding the mission criticality. However, one of the important outcomes is what you can see here in our business mix. About two-thirds of the segment revenues are related to services or, more broadly speaking, a kind of OPEX spending. Services may be upgrades, et cetera. Already, in automation solutions, about half of the business is coming from the installed base. In inflow control, the number is even larger. Two-thirds of flow control businesses, spare parts, field services, upgrades, et cetera. Then we have an additional, a little bit less than 20 percent of businesses selling valve automation components, which is also mainly OPEX driven. Among other things, this mix of business gives us good solid growth opportunities, like we talked about earlier.

01:36:03 - 01:37:16

Simo Sääsکیlahti: Now, which leads me to talk a bit about the way forward. I hope we kind of established that we have a pretty good track record of growth. A profitable growth and a value-adding growth. We have position leading positions in a number of industries. We have the technologies, the service capabilities, and the expertise to be the trusted reliability provider in mission-critical solutions. So I think we have a mandate to grow, and our target is to accelerate the growth and be over two times the market growth, which we estimate that it's going to be somewhere around three percent. These businesses also have a pretty good operating leverage. Volumes normally improve margins. Our target is that with the growth and our strategic competitive actions, we will hit the 20 percent EBITDA target by 2030. Emilia, would you open up a little bit about automation solutions plans?

01:37:16 - 01:38:54

Emilia Torttila-Miettinen: Sure. Thank you, Simo. Accelerating organic growth over double the market is focusing on accelerating the growth in the energy process and marine sectors. We currently have a better offering stack than ever in this market. We have the newly released Valmet DNAe, which is very suitable for small processes but also extremely large ones. As you know that it was also sold to Orora Mil. That's one of the advances. Then we have also acquired a new analyzer business, which is opening very much doors for us, combining DCS technology. However, with this analyzer technology, our optimization capabilities, what we have built in other industries, energy, as well as in pulp and paper. They are helping us to grow in that area as well. There we are looking for example, especially chemicals and other segments in marine, for example, to state a couple of those. Hydrogen is generally very active as well. However, we are also investing in expanding our offering via partner network, especially to broader geographies as well as to sub-segments where our domain expertise is not yet that strong. In pulp and paper, we aim to be number one in all the product areas.

01:38:54 - 01:39:56

Emilia Torttila-Miettinen: With this kind of digital enablement to unlock the process bottlenecks as well as improve the efficiencies in both maintenance and operations, it is critical for us. With this kind of superior technology offering, we also see, and we have already seen in those growth numbers a good growth in the competitor replacements. Last but not least, services as such are very strong growth factors. As you can see from the first slides, we have been growing very heavily during the past years, and our installed base has been growing. Our new technology also with its value-adding AI-based solutions, is also driving the services growth. While we are together all the time with all our customers, looking at a road map for how they can get the most out of the new technology. Those are the means to accelerate the growth in automation solutions. Please talk more about flow control.

01:39:56 - 01:41:23

Simo Sääsکیlahti: The target is the same. Accelerate growth, achieve at least twice the market growth. Portfolio is something we can work on. The four core industries we talked about, we have opportunities organically, but also maybe with acquisitions, to broaden our portfolio, provide more or bigger solution scopes. However, it's not only about the products and technologies here. It's also looking at the business mix portfolio. For example, we are at the moment at investing in capabilities to add larger valve automation solution opportunities in our components business, building capabilities to broaden the business portfolio. Services continue to be a theme. I talked about the understanding of the installed base and the value that we can provide to customers with that. It also works for us. We have a pretty good understanding of where the install base is and where we are serving our customers excellently, and where we could do even better. We can do targeted growth, smart growth on services, and accelerate that growth. We go to market directly, selling directly to customers, with distribution and with EPCs.

01:41:24 - 01:43:10

Simo Sääskilähti: This is the way that we will continue to do it, and we will strengthen our channel capabilities. Generally speaking, our capabilities are close to customers to provide their expertise and work with them over the life cycle. Finally, we will work with our supply chains, our manufacturing fleet, looking at ways to improve competitiveness but also ensure resilience in different scenarios. Another theme there, which is important, is to be close to customers. For example, we made an investment some years ago, and we have a facility in Saudi Arabia, which gives us a very strong position to grow in that very interesting Middle Eastern market. There are other places we can look at, like South America, et cetera, where we want to improve these capabilities. We're coming to the end of the presentation. I just want to summarize what we've been talking about. Strong track record of profitable growth, attractive leadership positions in a number of process industries, hard-to-develop capabilities to play in the mission-critical segment, and an attractive business mix are the basis. We will continue to grow, and we target to accelerate that, making sure we grow twice the market and reach 20 percent EBITDA by 2030. Thank you. [applause]

01:43:10 - 01:43:42

Pekka Rouhiainen: Thank you, Simo and Emilia. Let's go to the Q&A. We have 10 minutes reserved for the Q&A session. We start again here from the live audience. Raise your hand if you want to ask a question. While waiting for the questions here, let's take from the digital platforms, first about the launch of Valmet DNAe, the next generation industrial automation system. How does Valmet plan to leverage this innovation to drive growth across its segments?

01:43:43 - 01:44:32

Emilia Torttila-Miettinen: The good question. Thank you, Pekka. As I was mentioning, this is a new technology in the market. Already within several industries, we have a lot of deliveries ongoing, and also, the interest is there. What we are seeing is that this is one of the drivers across the customer segments we are serving because this really has all the facilities that we can provide to help all our customers to work with their processes or energy production, or ships. We are leveraging this with the targeting that 20 percent EBITDA, with over double the market growth.

01:44:33 - 01:44:38

Pekka Rouhiainen: Thank you. Let's take a question here from the audience. Antti, please.

01:44:39 - 01:45:07

Antti Kansanen: Thank you. This is a question on automation systems, and the industries, excluding pulp and paper, and marine. The ones that are sort of like a niche positions. I think previously, a couple of years ago, you identified a couple of different target industries that you want to grow into. How has that progressed and could you highlight any kind of customer wins, new exciting reference cases, or certain industries that you see the most potential in from here onwards?

01:45:08 - 01:46:09

Emilia Torttila-Miettinen: Thank you. That's a very good question. With the chemical industries, we were highlighted at that time as well. We have acquired the batch technology, which was the earlier acquisition as well. Together with them, we have a significant further with that installed base worked on and also working on getting that technology inside our technology. , with these customer references, we have always had to agree on what we are telling, but we are having good traction on that side as well. Then, with alternative fuels, we have been working on those that have been proceeding quite nicely. I think we were also discussing a little bit more about marine at that time. Now, as Thomas was mentioning, we just released this Valmet DNAe to further grow in marine, also now looking outside the cruise.

01:46:10 - 01:46:20

Antti Kansanen: Then the second question is on how do you collaborate with the pulp and paper side of things? Do you share any R&D resources, or are you totally independent?

01:46:21 - 01:46:44

Emilia Torttila-Miettinen: We collaborate quite a lot because they also have significant process knowledge and

domain expertise. However, we have our own R&D resources, and the cooperation is with these specific projects that we do together. However, we have our own resources.

01:46:44 - 01:46:45

Antti Kansanen: Thank you.

01:46:46 - 01:46:56

Pekka Rouhiainen: Some other questions here in the middle. [silence 01:46:49-00:46:55]

01:46:56 - 01:47:25

Mikael Doepel: Yes. Thank you. I'm Mikael Doepel from Nordea. In the automation solutions, you talk about accelerating growth, and you talk about the energy process in marine as one. Then you mention expanding the partner networks. Just wondering if you could elaborate a bit on that. What kind of partner networks do you have? How do you work with partners? The second question is also on the point of aligning capabilities with customer needs. Can you elaborate a bit on that as well? Thank you.

01:47:26 - 01:48:34

Emilia Torttila-Miettinen: Thank you for a good question. We do have technological partnerships with technology providers, which are not Valmet technologies. That's one part. We look into expanding that a bit more. However, it's also about the partners for certain areas where, for example, in India we have had a long-term partner in energy where we have supplied quite a lot of energy production, for example, optimizations lately throughout our partner, who are in the core of the energy production business in India. This type of thing we have, and then where we want to grow is also to expand into, for example, South America, and the Middle East, working together with similar kinds of partners as well. Then the other question was regarding--

01:48:35 - 01:48:41

Mikael Doepel: You mentioned aligning capabilities with customer needs. What does that mean in practice?

01:48:42 - 01:49:37

Emilia Torttila-Miettinen: For example, all of our customer industries are having difficulties finding, for example, capable new operators. What we do in our technology, we build on a kind of guiding capabilities so that new operators can concentrate on the right things and make the right choices to either increase the production or keep it as high as it can mathematically be. Then, for example, highlights that now you need to concentrate on this one, and if you, for example, combine different processes into one person's control, you can, with this new design, have only one person to control several different operations. That's one example of how to support our customers in operating.

01:49:38 - 01:49:38

Mikael Doepel: Thank you.

01:49:40 - 01:49:43

Pekka Rouhiainen: Then here is a question from Timo.

01:49:44 - 01:49:48

Timo Heinonen: Yes. Thank you. What is the typical order size in marine?

01:49:49 - 01:49:54

Emilia Torttila-Miettinen: Very good question. There are very different sizes of orders.

01:49:54 - 01:49:58

Timo Heinonen: Is that cruise the biggest potential?

01:50:01 - 01:50:10

Emilia Torttila-Miettinen: There are different sizes. Typically, many orders are in a series of ships. It can vary very much.

01:50:10 - 01:50:12

Timo Heinonen: What if you think of value per vessel?

01:50:13 - 01:50:32

Emilia Torttila-Miettinen: There is a very large scale when we are controlling everything from air conditioning to water slides and everything in between energy productions and wastewater treatment. Yes, it's the largest one. However, we are talking millions.

01:50:33 - 01:50:47

Timo Heinonen: Thanks. If I can ask another question, I understand that you have a good position in cruises, given that Finland is the land for cruise ships, but how do you aim to address the other vessel categories?

01:50:48 - 01:51:17

Emilia Torttila-Miettinen: Well, we also have maybe a little bit elaborating on still on this partnership as well. For example, this LNG type of carriers and what we have as ferries, as well. We also have partnerships on how we operate in China, where, for example, at the moment, the biggest ferries and those productions are currently in. We have a way to work in that one as well and look into growing that as well.

01:51:17 - 01:51:18

Timo Heinonen: Okay. Thanks.

01:51:19 - 01:51:26

Pekka Rouhiainen: Thank you. Then question here from the online platform regarding the flow controls M&A opportunities. Can you discuss those a little bit?

01:51:27 - 01:52:33

Simo Sääskilähti: Like I mentioned, it's a big industry. It's a fragmented industry. We are a top 10 player. We have the global reach and global service capabilities. When I talked about our portfolio development, I mentioned that there are clearly opportunities to widen our portfolio, serving our customers in the four core industries. I think, for example, the Rotex acquisition in 2018 is a good example. We acquired an actuation company, giving us new technologies, but also it gave us a very good position in India to build on. They were very strong in that area, and now we are scaling them globally. Flowrox had a good brand in mining, but smaller company not able to address the markets. We have now combined the offerings. It makes us much stronger. In certain areas, we have made very good progress. That's the kind of logic we want to create, and we see opportunities there.

01:52:35 - 01:52:39

Pekka Rouhiainen: Thanks Simo. I think Sindre here indicated a question.

01:52:40 - 01:53:36

Sindre Sørbye: Yes. I have a question. You have had these DCS systems for a long time now. I guess you must have a lot of data from those systems. They are helping, for instance, with preventive maintenance and so forth, both locally and maybe also from your side. However, are you getting so much out of that data as you can? Those data for hundreds of paper machines and so forth must be a valuable source of knowledge for product development for other players in the pulp and paper industry. Could that be either a source of revenue or that you do more centrally and get the benefit of the data back to your customers?

01:53:36 - 01:54:11

Emilia Torttila-Miettinen: That's a very good question. With this data, it's always something that we have to agree with customers on how to utilize the data. It's something that we focus on, to get clear signals on how it can be utilized. However, we are very effectively using it already, and as Petri and Sami were mentioning, we are aiming to even better utilize the data when it's kind of complementing both sides' customer benefits, and that we can leverage that as well.

01:54:12 - 01:54:31

Sindre Sørbye: Could we see in like 10 years that you're halfway run a mill or if, for instance, a small tissue

producer with two machines. You have the capability to basically run that operation from here or from a center.

01:54:32 - 01:55:08

Emilia Torttila-Miettinen: This is an excellent topic that you will be discussing even more if you can go to the breakout session. There we will be talking more about, for example, how we can optimize, and maybe also talk a little bit about how we are targeting with all this technology towards more autonomous operations, even for customers, so that we support them. With this autonomous operation supported by the technology as such is in the not-too-distant future. Not really tomorrow, but we're there.

01:55:09 - 01:55:10

Sindre Sørbye: Okay. Thanks.

01:55:10 - 01:55:50

Pekka Rouhiainen: Thank you. That wraps up the Q&A session here. For the technical stuff, please, the monitors are now blank, so if you could fix this. While waiting for that, thank you guys. We move next to the CFO presentation, Katri Hokkanen. [music] [silence 01:55:39:-01:55:50]

01:55:51 - 01:57:34

Katri Hokkanen: I want to go back to what Thomas said in the very beginning of this afternoon about Valmet shifting gears. We do want to go from this continuous improvement more towards bold, long-term ambition. That shift is already visible in our new financial targets. I will today summarize the key business levers. Talk a little bit about capital allocation priorities, cash flow, and then how we intend to create value as a company. First, let's take a look at our new financial targets. For net sales, the target is to grow five percent organically. If you look at our track record, the K-gal for the last 10 years has been four percent. We want to go from four percent to five percent. That means that we need to double the growth in biomaterial services, and then also accelerate the growth in process performance solutions. For comparable EBITDA, our target is to be at 15 percent. I will come back shortly with how we are planning to do this. Then, for comparable ROCE the target is to be at 20 percent. For us in Valmet, this is very important target. When we talk about the mindset shift, we want to go towards financial performance and allocate our capital very efficiently.

01:57:35 - 01:59:10

Katri Hokkanen: Then, as a new target, we are introducing gearing to be below 50 percent. The question might be: "What does this mean?" At the end of Q1, our gearing was 36 percent. It means that we do have some firepower to execute the M&A. If we find something interesting and strategic that we would like to execute, we can actually go higher than 50 percent. However, it means that we target to go back below 50 percent again. What does this all mean to our segments? As we announced yesterday, starting from July onwards, we will have two new reporting segments. They are driving both growth and profitability. Biomaterial solutions and services are combining the previous process technologies and services segments together. Then, process performance solutions is the former automation segment. Even if this might look to you just as a change in the reporting structure, this is a much bigger transformation we are having inside of Valmet. From the numbers. Net sales for biomaterial solutions and services is roughly 3.9 billion. Out of that, 50 percent is related to services.

01:59:12 - 02:00:55

Katri Hokkanen: Then in process performance solutions, net sales is about 1.5 billion. When it comes to profitability, biomaterial solutions and services are at 10.5 percent, and then process performance solutions, significantly higher at 17.6 percent. Then, how do we get to this 15 percent comparable appetite target? We do have key action targets for both of these segments. In biomaterial solutions and services. Our target is to go from 10.5 percent to 14 percent. As you can also see from the bridge, it's quite a significant improvement. And here the main thing is doubling the services growth to eight percent. Then, secondly, delivering the 100 million savings from the global supply. The third also the renewed operating model, is also supporting this target. Then in process performance solutions, our target is to go from 17.6 percent to 20 percent, and that is coming mainly through accelerated growth in net sales to over double the market rate. The operating model is also supporting this target. For the operating model, as we have announced, it will deliver roughly 80 million savings with the full run rate from the beginning of next year.

02:01:00 - 02:02:31

Katri Hokkanen: Then I also want to introduce first time, capital allocation priorities and also segment mandates. We are introducing this to support the long-term value creation in the company. The number one thing here is the organic growth. We want to allocate the capital to fund the organic growth. We are focusing on ROCE and competitiveness. We have also defined mandates for our segments for biomaterial solutions and services, its growth services, and to drive cost competitiveness. Then, on the process performance solutions, it's to accelerate the growth. The, secondly, strategic M&A. Very important thing for us. There on the biomedical solutions and services, the potential is quite limited, mainly on the services side. However, then on the process performance solutions, there are a lot of opportunities in the pipeline. It's very self-evident that Valmet has to be the natural owner, and also that the price has to be right. In process performance solutions, there is high potential there, and we are mainly focusing on bolt-on acquisitions outside of the pulp and paper industry.

02:02:33 - 02:04:00

Katri Hokkanen: A very good recent example is this API or gas chromatograph business, which we acquired a year ago. It's a very good proof of our execution and integration capabilities. It was a very complex carve-out, a global business market-leading position. Now, after one year, it's operating as a business unit. It's a very good platform for future acquisitions also in the analyzer business. Then thirdly, we are continuing with the existing dividend policy, targeting to pay out at least 50 percent of the profit. Then we can also use share buybacks if the balance sheet and capital allocation priorities are met. This is then also subject to the board's decision. Then the next question is that how do we fund all of this? If you look at our cash conversion, it's been pretty strong for the last 10 years. At 92, we compare it against comparable EBITDA, which is one of our key KPIs. However, we have had challenges with the networking capital. It has been increasing, and it's also visible here.

02:04:00 - 02:05:35

Katri Hokkanen: The question here is, why is that? Between the years 2020 and 2024, there were a lot of external factors that were impacting our business. There were the post-COVID times when Ukraine's price peaked in 2022. Also, our inventories increased. We did suffer from some challenging projects. At the same time also the business mix also changed. We doubled the net sales in the process. Performance solutions and biomaterial services part. However, the situation has been improving, and cost conversion is much stronger now. When we go forward, there are three things that we will be focusing on. First is to have a cash flow positive project business, also in the future that the business model is very clear, and it's unchanged. Secondly, it's to continue to grow both process performance solutions and biomaterial services. The business model is very efficient. It converts a lot of cash. Thirdly, we need to keep an eye on the inventories. There, we do see some improvement potential, especially in biomaterial services, and that will be in the global supply scope in the future.

02:05:38 - 02:06:53

Katri Hokkanen: Then, how do we stack against our peers? We selected these high-quality European industrials. As you can see, our cash conversion is also strong compared to other industries. We intend to keep it that way. We want to have a strong cash conversion, and that is also something that I will internally have a focus on. We have presented to you today our new strategy, and it's built on top of this fundamental shift in our mindset and in our culture. We are not afraid to set ourselves very ambitious, tough targets. I believe that we have what it takes to deliver these targets. In 2030, Valmet will be a different company. I'm super excited to be part of that journey. Thank you. [applause]

02:06:53 - 02:07:38

Pekka Rouhiainen: Thank you, Katri. Now I invite all the presenters here to the stage for a joint Q&A session, where we have roughly 25 minutes prepared. As a reminder, you can utilize the digital platform to ask questions, and we'll also take some questions through that channel. However, let's start here from the in-person audience. Please raise your hand if you want to post a question, and it will be great if you can directly indicate who you want to ask that question to. Here in the middle.

02:07:42 - 02:08:14

Mikael Doepel: I'm Mikael from Nordea. My question is still on the cost take out measures that you have announced in late March, as Thomas said, 80 million from streamlining. Now it's 100 million on top of that

from various sourcing, procurement, logistics, various production platforms, and so forth. However, could you maybe give a bit more detail around this? What are the costs going to be associated with this? When are we going to see some impact, and to what extent? Maybe it would be great to get a bit more color, I guess, on this. I'm not sure who would like to answer.

02:08:17 - 02:09:33

Thomas Hinnerkov: Thanks, Mikael. As we said in March, we said we want to simplify the organization. We're going to reduce by up to 150 people. We're also going to invest in some capabilities as well, coming into the business, that will sort of have a net impact of 80 million run rate. There's most of it is in DNA, but there's also a little bit of sort of engineering, cox part of that is part of the simplification. We haven't said yet what that costs to do to make that kind of thing. I'm sure we're going to talk about it in a little more than a month from now, at the Q2. We'll make a booking, a provision for that cost in Q2, so it will be fully visible. You talked about the 100 million, when it comes to footprint, then and other consolidations of our supply chain, then that will also have a price tag on it. However, it's about making the right choices, even though it might be difficult for the future. Making sure that you get a return on that investment. I don't know if you want to add a little bit.

02:09:34 - 02:09:40

Katri Hokkanen: Yes. That's a topic that we can then further discuss after the Q2 results are published.

02:09:40 - 02:09:41

Mikael Doepel: Okay. Thank you.

02:09:43 - 02:09:58

Pekka Rouhiainen: Okay. Let's then take a question from the digital platforms about the ROCE target and the M&A potential. How do those two fit together with the target of going to 20 percent ROCE, and then also during M&A?

02:10:02 - 02:11:00

Thomas Hinnerkov: Very good question from the audience. As we talked about we clearly intend to do strategic M&A, build our business foundation even further. That's what I think, where it's also very helpful that we split the business into the biomaterial and the process performance technology or solutions, because, generally, a bit two different price points on these kinds of assets. We need to evaluate how that fit into our business. What synergies can we also derive from a top-line synergy perspective? Take the gas chromatography business we bought out of Siemens. Yes, it was a good acquisition. We were very happy about it. However, it's also about driving top-line synergies for other projects that we already have other solutions for as well. We have to split up into biomaterial and process performance technologies or solutions.

02:11:02 - 02:11:05

Pekka Rouhiainen: Let's take an in-person question here in the middle.

02:11:07 - 02:11:27

Speaker: Thank you. I guess this goes for Thomas. In the new organizational structures, what responsibilities are at the headquarters level, which are the functions that are not within the divisions or the businesses? What are kind of the general functions? For example, MBTA is MBTA kind of within the divisions, or do you have a shared resource on that?

02:11:29 - 02:12:03

Thomas Hinnerkov: Overall, if you take M&A, it lies with Katri. That's, from a group perspective, we will run any process they can be coming from the business that should be coming pipeline and saying we really like this particular competitor or company as a potential add-on acquisition, so they can be targets coming up. However, process-wise, we run it essentially. The same thing we see HR as a global process, talent management as a global process, and finance as a global process.

02:12:04 - 02:12:23

Speaker: Then the second one, either for Thomas or maybe the division heads can comment as well. What is the benefit of having the automation business and the traditional pulp and paper business under the same roof? How do you guys help each other? How do you benefit versus being an independent two companies?

02:12:30 - 02:13:45

Thomas Hinnerskov: I think two questions in that or two answers in it are important. One of the answers is, historically, or till today, we've had an organizational structure that sort of forces collaboration. That's what we're trying to release, and saying that collaboration doesn't come from structure. Collaboration is a cultural thing. Good leaders or good employees collaborate if it adds value to them and their business, and therefore also to the customer. That's one piece. Then if you think about let's go back to Autumn last year, when we won the Aramco case, would we have won that without automation and flow, for that matter, together? I don't think so. I'm pretty certain that we would not have won it. What was the thing there? It was really about going back to what we talked about a lot of times today, really, about optimizing the outcome and the return on invested capital for the customer. How do you do that? You have the right technology. You have the right valves. Put it into it. You have the right automation system, you have the mill-wide optimization.

02:13:45 - 02:14:16

Thomas Hinnerskov: You're going to see that later today. It's really about back to this resource efficiency process optimization thing. Then we had the in-house technology and owners on site, one big room, 50 people and then say: "Okay, how do we get this right? How do we optimize this for the sake of the customer?" They get the best return on invested capital and can go to their capital market because they need to borrow money for the investment, saying, listen: "We got the best in town. They say they can do it."

02:14:19 - 02:14:19

Speaker: Thank you.

02:14:20 - 02:14:43

Pekka Rouhiainen: Thank you. Thank you. Ten questions for the biomaterial solutions and services related to the services market share growth, with the ambition to go from 21 percent to 25 percent. Is this an organic target, firstly? Then secondly, can you remind the audience about the key levers on how to capture the market share from 21 to 25 percent?

02:14:44 - 02:15:15

Petri Rasinmäki: The growth is organic based suddenly. We have identified growth elements, mainly coming from the installed base, but also together with the initial capital sales opportunity that we will be grasping in the future by developing and delivering new customer value and utilizing the existing one, with the new operational model that we have.

02:15:16 - 02:15:26

Pekka Rouhiainen: Thank you. Then maybe a related question, but on the lifecycle approach, what are the key benefits to the customer from the lifecycle approach that we are now focusing on?

02:15:27 - 02:16:21

Sami Riekkola: As I already explained earlier, customers are not only buying equipment, they are not only acquiring technology, they are buying reliable, high-performing, high-efficiency production assets that are fulfilling their own market and the business need. Then, going back to the Orora project as well. It is all about dimensioning the solution, feeding that to the customer's need, and then putting that technology services automation part together to solve the customer's need for a long time. It is essentially changing the language into the customer's tone, or the language, so having the total cost of ownership as a kind of a key component of the offering.

02:16:23 - 02:16:46

Pekka Rouhiainen: Thank you, Sami. Then, a similar one to the process performance solution. How to accelerate growth further? Your track record is showing a decent six percent organic growth. What are the key things you are planning to do to accelerate even further? Also, there's actually another part here that comes at the expense of your margins.

02:16:47 - 02:17:33

Emilia Torttila-Miettinen: Good question. Again, maybe highlighting again first automation solution. So excellent offering stack what we have built and willingness to still invest into developing so that we are

expanding the great offering already to new sub-segments, which we have been discussing. Then the strong basis in pulp and paper, and the service is a growing installed base, which is something that customers typically don't do themselves, or no one else can serve our system. That's installed base is growing our business, and with the new technology accelerating that as well.

02:17:34 - 02:18:38

Simo Sääskilahti: We talked about the portfolio. We talk about the four core industries, which all give us opportunities to grow. We can enlarge the portfolio both in terms of technologies, but also looking at new ways to serve customers, new kinds of commercial segments, I would say. I talked about the smart services growth, leveraging our existing capabilities. Leveraging the data to make smart decisions on where to invest and accelerate. I talked about working even closer to end customers, but also our EPC partners and distributors, and that way driving the channel-based growth. Then supported by having resilient, efficient supply chains. Also investing in capabilities close to customers so that we can make sure that they get good turnaround times and availability, and they see that we are working with them in the long term.

02:18:41 - 02:18:52

Thomas Hinnerkov: That's maybe a good point to sort of availability theme in this dynamic world that we are living in is actually getting also becoming, I think a competitive advantage of ours.

02:18:54 - 02:19:00

Pekka Rouhiainen: Good. There's a question here in the audience as well. Let's take it.

02:19:01 - 02:19:24

Antti Kansanen: I need to ask a question on the services side of things. I guess Europe is or EMEA, is the biggest market for your pulp and paper services. Have you analyzed the kind of installed base that you have there or your client base that is there? Is there a risk of closures or shutdowns that could perhaps negatively impact your growth in the coming years, thinking, for example, the containerboard overcapacity in Europe?

02:19:26 - 02:20:48

Petri Rasinmäki: There is a clear overcapacity situation in Europe on the container port side. That's clear. The demand is growing at the same time, and it will catch up within a certain amount of time. The need there will most probably, one would assume, need foreclosures as well. If you have seen that happening, that trend will probably continue. It will have an effect. Typically, the closures happen on the oldest side of the assets on the smallest ones. Maybe not so often, even a Valmet-based OEM, either. However, that is also an expectation for the future that it will continue. However, we expect the overall market demand growth to catch up to overcapacity within a reasonable time horizon. When considering our new technology and capital sales, it's good to remember that today, when we discuss with the customer, we are talking about 27 start-ups and 28 full capacity. Next year we are going to sell 29 full capacity. That's the delivery delay. That's good to remember.

02:20:49 - 02:20:58

Thomas Hinnerkov: That's also why it's important that when you think service, the real driver. Here is also, it's not so much about new equipment coming in. It's also about the utilization rate.

02:20:59 - 02:21:22

Sindre Sørbye: Maybe a follow-up on the services as well. Can you talk a little bit about kinds of examples on aftermarket intensities in various regions or products, like a board machine in Europe versus a tissue machine somewhere else? From your perspective, where's the best lifetime potential to sell your aftermarket offering, and which has historically been the best business for you?

02:21:23 - 02:21:55

Petri Rasinmäki: Historically, the best area has been the kind of mature markets like North America, Europe, that's traditionally been the best life cycle service market for us. In Asia, it's more concentrated on new machines, support, and ramping up the new capacity as there are because there has been so much new capacity built up in Asia. The overall life cycle potential for the installed base, traditionally, has been in the material markets.

02:21:57 - 02:22:06

Sindre Sørbye: Now that you are maybe going after the installed base with a little bit new approach, where do you think we will see the sales coming up most in regions, products, or categories?

02:22:06 - 02:22:54

Sami Riekkola: Now that is an excellent, excellent question. We come back to these identified growth levers as a part of this whole lifecycle strategy and the concept. There are the long-term agreement components, and there are parts and consumables. And then areas that we consider that we can better serve. These activities will be implemented shortly. However, we also have strategic KPIs following the execution of these selected priorities. By 2030, we have a certain target setting, and we are gradually improving every day, so that doesn't disappear anyway.

02:22:55 - 02:22:56

Sindre Sørbye: Thank you.

02:22:57 - 02:23:13

Pekka Rouhiainen: Thank you. There's an automation solutions-related question here on the digital platform. About the gas chromatography business that was acquired quite recently. What's the strategic benefit in driving the organic sales growth.

02:23:14 - 02:23:42

Emilia Torttila-Miettinen: Very good question. Thomas was here mentioning really driving also the top line growth for our full offering. We are working on several cases together for optimizations of DCS gas chromatography, and we have already current deliveries ongoing to the same customer. I would say that that has been starting well, and we are going to accelerate also that part.

02:23:43 - 02:23:53

Simo Sääskilähti: I would add that as you may have noticed that we have similar customers there. That's something that also our teams are working together. There's an additional benefit here.

02:23:56 - 02:24:09

Pekka Rouhiainen: Then a question to the CEO. What are the key risks with the new strategy, and how do you plan to mitigate those? [silence 01:24:03-02:24:09]

02:24:09 - 02:25:29

Thomas Hinnerskov: Yes, there's the whole environment that we're living in is so dynamic. We have to just manage that on a day-to-day basis. That's also why this empowerment and dealing with the problems close to where the problems are come into play. I think the biggest risk I've seen short-term-wise or have been cognizant about, and that's also why I've been trying to travel quite a bit, even in this quite intense strategy period. Is our operating model implementation, where we are changing, and there are lots of moving pieces to get that new organizational design through, figuring out who is in all of the boxes, all the way through. Then my biggest concern has been how the organization will deal with the uncertainty that they have is that we're doing this big shift? I might be 100 percent behind, and I think it's a great idea. However, I'm also personally in play. That risk comes from an individual perspective of then saying start focusing too much on yourself rather than doing your job, serving your customers. That's probably been my biggest short-term concern.

02:25:29 - 02:25:48

Thomas Hinnerskov: I think the organization has done a stunning job, really keeping their eyes on the ball and making sure the best thing you can do is do your job well. Then we'll go from there. That's been the worrying part, but I think so far, so good. I'm really happy with it.

02:25:50 - 02:25:54

Pekka Rouhiainen: Thanks, Thomas. Then we have a question here from Mikael.

02:25:58 - 02:26:18

Mikael Doepel: Thank you. I know this is very much about strategy and looking further out in time, but I just have to ask also about the short-term market environment. We've seen tariffs going back and forth. You also

have a big business in the US. Maybe you could talk a bit about what you're seeing in the markets currently across the business segments.

02:26:22 - 02:27:55

Thomas Hinnerkov: Mikael, first and foremost, let's take the US business to start with. We were in a relatively fortunate situation with roughly 2400 employees in the US or in North America. We are in a very good position to serve our customers. We have local sourcing or local manufacturing and production of a lot of the service things or solutions that we service with. There, we're actually in a pretty good position when it comes to the big capital things. There we say it's an even playing field. There's no one who then produce certain big-ticket items in the US that we don't. We then compete where there's a tariff fairness or unfairness, between that's not what we see. The US market for me is more about how does that whole tariff situation impact the overall economy and therefore the overall consumption of the consumers. Are you going to buy less toilet paper, et cetera? That has been more weight. I think that goes globally, right. Then it's been such a dynamic ride, as we all know, since 2nd of April. That goes back to then this simplified, clear roles and responsibility, empowered organization empowered individuals with responsibility and accountability comes so much into play.

02:27:55 - 02:28:52

Thomas Hinnerkov: Kyle in the US, when it comes to flow control, he can manage the situation with his team, and he can sort of on a very dynamic real time if he has to go all the way up, all of it, it just takes too long time. That's where an additional benefit of the new structure is as well. Then another maybe comment overall is when we talked a bit like with customers on a very high strategic level, it's always sort of you can't predict, and we can't sit on our hands, so let's move on. That kind of thing, mindset-wise, with all the uncertainty that there is right in all the markets, not just our market, but in every market, I guess, basically. I don't know if you want to put a bit more segment flavor to it.

02:28:52 - 02:29:20

Sami Riekkola: Yeah. related to biomaterials solutions and services, now pulp energy and circularity, for sure. That is impacting particularly our end customers' decisions. That is the uncertainty we are living with. However, currently we haven't seen any kind of major issues going forward. As I said, it is mostly services that we are doing in North America through our local assets and capabilities.

02:29:20 - 02:29:53

Petri Rasinmäki: Yeah, the services are made in USA by and large and the capital side. I think from our perspective, the customers are making the investments for the next two or three decades. That's the horizon. They are thinking about how to move forward for such a long time horizon. I don't believe, based on the activity, the customers are still very keen on discussing with us, and so no matter where they are located in the US or somewhere else.

02:29:55 - 02:29:58

Thomas Hinnerkov: I also think that the time from decision to delivery is pretty long.

02:29:59 - 02:30:01

Thomas Hinnerkov: The world kind of changed a couple of times between them.

02:30:01 - 02:30:02

Sami Riekkola: Even the tariffs.

02:30:05 - 02:30:15

Pekka Rouhiainen: Thank you for the lively Q&A. Time is running. It's time to start to wrap things up. Thomas, I'm now handing over to you for closing remarks.

02:30:17 - 02:31:37

Thomas Hinnerkov: First and foremost, a big thanks to all of you who have listened and engaged. You have participated with good questions. It's been a pleasure. There are so many of you who also came to Tampere to be with us today. We also have some very exciting stuff in store for you right after this. However, I want to thank you all for spending your time and day with us. Now, it's been 10 months like I started with since I started. Actually, next Thursday, it'll be 10 months since I started. I think a lot of things have happened already,

probably more than I was aware of, until the team started talking to me about the conversations we're having, there are different conversations. They're happening differently. We talk about psychological safety, which we haven't talked about before, at the same time, which is important to have psychological safety. We can have a spicy conversation. We've had a lot of spicy conversations during this strategy period, which has been really good, because that's the way you make better decisions. You challenge each other, but you challenge the view, not the person.

02:31:37 - 02:33:21

Thomas Hinnerskov: This mind shift change has already started. That train has left the station. Now we are embarking on another, or further embarking on, that shift. We're systematically going towards customer success, life cycle commitment, full empowerment, and accountability. We're going on that. That's also why I strongly believe, and the team as well, that we can, and we will deliver those five 15, 20. Just try to imagine what it will be, what the discussion will be when we meet here again in 2030, and that's on the walls. That's not targets. That's actuals. Just imagine what are the next conversations we want to have. The next horizon, the next growth, the next technology. The next business opportunity we're going to have. That's why I'm very excited about this strategy period. I am so certain that we will lead the way not only in our industry, but also sort of as a benchmark industrial company. I fully believe in Valmet. I fully believe in this amazing team, and I do believe in all the Valmeteers around the world. We'll get on this journey, and we will lead the way. Thank you. [applause] [music]