Juha Rouhiainen: Hello everyone, it's Juha from Metso Outotec's investor relations, and I want to welcome you all to this conference call, where we discuss our third quarter 2022 results that were published earlier this morning. Results will be presented by our president and CEO Pekka Vauramo, and CFO Eeva Sipilä. And after the presentation we'll have your questions. And as usual, we try to limit the length of this call to 60 minutes. And in the presentation, we'll have forward looking statements, the disclaimer, in the beginning. And with these remarks, we are ready to start, and I'll be handing over to Pekka. Please go ahead.

Pekka Vauramo: Okay thank you Juha, and welcome to this third quarter call. We are very happy to report all time report results for Metso Outotec. And it's really a great achievement from the entire Metso Outotec team globally. If we look at for example this year, the environment where we have operated, there has been so many moving parts in this one. Closure of Russian business amongst many other things, high inflation. All the efforts which sort of made us to compensate well the lost business in Russia, in other parts of the world. And that has really been a great achievement as we see later in the numbers. We said earlier in the year that we see the rest of the world start compensating the loss of Russian market. And this has truly happened. And the pick-up has been even faster than what we expected, as you see in this comparable ordering take numbers a bit later on. We are also delivering high growth as we speak, and this is really visible then in the ebitda margin. Which is on record level at this moment. We continue to take steps in sustainability. And if we need to say something negative about our past quarter, it's the cash flow. The performance, which is mainly due to growth of inventories, but that is very typical for the cycle in our business. When our volumes grow up very rapidly and strongly, we tie capital into our supply chain and inventories. Which we then repatriate when times get somewhat quieter. Past two years is a very good sign of that when the volumes went down or were flat-ish, we were able to repatriate a lot of cash, more than one billion cash [?? 00:02:54] over the past two years. But looking at numbers really, orders, really the face-value shows a decline, but if we adjust that one with the one single really large order that we received last year in the third quarter, 360 million about was that order. We didn't have similar orders any of those nowhere near that one in this year's third quarter. And then if we adjust that one with the Russian orders, we in fact do see 27 percent increase in order intake. And I think it really is a sign how well the rest of the world has been able to compensate for the loss of Russian business. Sales, very good execution of the order backlog in a situation where there are still issues with the supply chain, though somewhat less than earlier. But still issues with the supplier chain. Very strong growth all together. And ebitda margin, nice drop through of the volume growth here as well, and turning into 14 point eight percent, adjusted ebitda margin. And that also flows through the bottom, and gives us the EPS of 16 cents. Cash flow, I already commented, over there is on low side, but like I said, I mean, there's nothing surprising in that one in that regard, that we tend to tie working capital, typical for this phase of the cycle. Then when we look at the segments, aggregates strong performance continues there. As well as orders, we were in fact positively surprised of the strength of the North American market, that seems to be continuing. We saw some weakness in European market. Maybe not quite as soft as we thought. So order growth there, both in equipment and in services, strong growth in sales, which is of course delivering from the order backlog, mostly services' share being 33 percent in this quarter, which is roughly on the same level what we have had in the beginning of the year as well. Adjusted epitome on record level 57 million 50 point seven margin. And this is now segment where we are delivering above our target, which was 15 percent set for the aggregate segment all together. Good work done by the entire team for aggregate business, and really delivering on relatively active market.

In the mineral site, yes, affected clearly by the situation in Russia and loss of that business. So it's visible there in the orders. Same as well the large order was partially on metals, partially on minerals. But adjusting those orders' growth would have been like 14 percent for minerals. So really good activity and pickup of activities in the rest of the world. Services orders also, very good strong growth, 26 percent. Sales growth, on equipment side, 36, services 39 percent. Really strong numbers, services share on at 65 percent, and good drop through profitability adjusted, [146?? 00:06:52]. And turning the margin of 16 point three. So we are on our way towards our long-term goal of 20 in minerals, even though we still have quite some distance to go there. Good execution, now fully visible synergies, they are of course contributing to this result. And then of course all the mitigation actions on the input side. And now at this phase we have mentioned I think since third quarter, or fourth quarter of last year these issues of our consumables. Now we had really solid three months of solid profitability in our consumable business. And those issues that we earlier referred to, they are now clearly behind us, and consumables is delivering strong results, and contributing to both minerals and to smaller extent to the aggregate segment's success. Metals also delivering strong results, above the 10 percent target that we have set for the metals segment. Order intake, because of the large order that was split between minerals and metals, face-value is down, but comparable order intake really more than doubled from if we adjusted with tat one large order. Sales growth, very strong sales growth as well. Services' share, which are traditionally very low in metals, but slight growth in that side, plus also through the volume we get in fact quite a nice growth in services as well. Adjusted a bit at 17 million, strong growth there, 11 point nine percent margin. And really the turn-around that we initiated end of 21, is clearly bearing fruit now. Now it has improved our caused position, and [?? 00:09:04] all together in our metal business, and that's visible in the results. Then I'll hand it over to Eeva for more detailed financials.

Eeva Sipilä: Yes, good morning, good afternoon from my behalf to all. Our CEO Pekka went through our strong operative income statement figures already. So I'll highlight a few additional items here for you. The quarterly figures as such are very well comparable. We had only a minor two million positive adjustment in our Q three operating profit. The nine-month operating profit includes the 150 million provision made in the end of June for the wind-down of the Russian operations. Of this 145 million remained at the end of September. Progress has been slow due to the complexity of the legal, judicial and banking situation. Net financial expenses are up, reflecting somewhat higher debt and interest cost in today's market. Our effective tax rate for the quarter and the year today is on the 27 percent level. Which is well in line with what we have indicated to you earlier. During the quarter, there was no material impact from these continued operations. So the earnings [?? 00:10:29] continue operations as well as for the total is the same, 16 cents. Moving to our balance sheet, so total assets are up a billion from the beginning of the year. And some 400 million from the end of June. Strong growth is well visible on the balance sheet. MNA in the year has been consisting of two small businesses which we have, which have had limited impact on the assets. Inventories however are up with some 600 million euros from the beginning of the year. And some 200 million since the end of June. Of the year today increase in inventory, the split of volume versus price and FX growth has been rather stable. We generally see slightly more volume growth than price and FX. But as you well know, FX has been volatile, also impacts these figures. I would say roughly 60 percent of the inventory increase comes from volume. And then the remaining 40 percent is then the reflection of the inflation and FX environment that we are living in. Now inventories represented some 30 percent of sales in 2021, and we are now running at around 36 percent of sales. Whilst receivables are up in euros, as a percentage of sales, receivables have actually been trending down. So we are happy with our collection efforts as such. And then net debt at the end of the quarter was up to 690 million euros. Cash flow then continues as expected to be the challenge in the market, where we are seeing very strong sales growth. Combined with the difficult supply chain and high inflation. Our customers' main expectation for us is [availability?? 00:12:22], when they are running their operations at full speed. And insuring that availability has required investment from us. The negative exchange in network capital is mainly driven by cash tied on the inventory side. Now in the quarter we had a few million cash cost from winding down our business in Russia, in the form of restriction costs. The remaining provision continues to be treated as cash neutral in the year-to-date column of this table. So negative in the profit revue, and then added back in the changing networking capital row. Looking ahead, we don't expect a quick improvement in working capital. Although the supply chain is easing, and we are able to lower our availability buffers. And have been doing so for a few months already. This will support the release of cash going forward, as will the expected slower growth in aggregates. Moving to my final slide, the main points on our financial position. During the quarter, we signed a new hundread million euro term loan. Otherwise funding was raised through commercial paper markets. Liquidity at the end of the quarter was at the same level as at the start of the year. And update on our average interest rate, maybe useful for your excels, so one point 37 percent is where on average paying out. Yet the capital standards, 31 percent. And finally, there were no updates on our ratings in the quarter. So with that, I would hand it back to our president and CEO Pekka, please.

Pekka Vauramo: Okay, thank you. And I'll take a view on our strategy implementation, sustainability, and then last the outlook comments on that one. In the portfolio side, we continue the metals business review. We expect the review to come to a decision point during the first quarter of next year. We want to be ready at the time when we take the final decision on the metals. And that's why it's taking some time. And the business performance currently in metals is very supportive for the process. And there are clearly some hypotensial areas within metals of really great interest at this moment. Yes, we are active in the MNA site, though there is nothing major in the pipeline. But quite many smaller targets that we are currently looking. We have moved ahead with one smaller MNA. It's a technology relating to service, and service of heavy [?? 00:15:16]. It is a North American based business that does have quite a lot of potential, when globalising that one. It is a technology that will profile our services more towards expertise and expert services. As well as it will give us a window as well as to customers a window on future planning of maintenance activities on relevant products. We continue to grow our planet positive sales. There is the latest figure, nearly 860 million for the rolling months. So good growth since May. This year in that area. And our plan really is to grow this rapidly. We have launched several new products in different areas. And this offering consists of closer to 150 different products or technologies already in this offering. We also, as a part of the planet positive, we have introduced recycling service for used [?? 00:16:37]. And this is now available, not globally yet, but will be available globally later on in some areas for both metallic and rubber [?? 00:16:50]. And this is a development work of course, recycling metallic [?? 00:16:55], it's relatively easy. But we have developed a way to recycle also the rubber [?? 00:17:02] which have been problematic waste up until now, for our customers. But now we do have the capability to take it back and reuse when making new [?? 00:17:14]. And we are in process of expanding this one. And first contract with customer exist already in that area. The market outlook we expect, market activity to remain at the current level. Mining market being relatively, or remaining strong, as it has been strong. And the aggregates market to decline, due to softening of the European market. The softening was not quite as sharp as we thought in the beginning of last quarter. But of course the European macro picture doesn't look that promising. So therefore we feel that Europe will continue to soften. We also have to remember when we look at our upcoming numbers, that fourth quarter is seasonally also always lowest, when it comes to order intaking, in our aggregates business. So we see that impact definitely. And then anything that comes more than that is then because of the market softening. We still see that the North American market for aggregates continues on high level. But there as well, we do see seasonally lower season. Right now ahead of us. And next time we will maybe see some indications, maybe in December. But mostly so during the first months of next year. With these ones we are ready for the Q&A.

Operator: If you wish to ask a question, please dial star five on your telephone keypad. To enter the queue, if you wish to withdraw your question, please dial star five again on your telephone keypad. If you are using speaker phone, please make sure your mute function is turned off. Voice prompt on phone line will indicate when your line is open. Please state your name before your question. The next question comes from Klas Bergelind. Please go ahead.

Klas Bergelind: Hey Pekka and Eeva. I wanted to start with the cash flow. You are making great progress at the earning level, but all of this is wiped out through a major increase in the working cap. And free cash is negative. Again, a similar level as second quarter. A lot of companies struggle with inventories. In the second quarter along the China lockdowns and so forth. But reporting improved cash flow this quarter [?? 00:20:03]. That is not happening at [?? 00:20:05]. I'm trying to understand what's going on here. If this is Eeva accelerating, regionalising your supply chain. And if can comment to what we should expect to the fourth quarter.

Pekka Vauramo: Sure Klas. So I think it's really good to understand our growth profile. I mean obviously, perhaps some of the companies who are seeing less pressure are also seeing a decline in sales growth. I think this, we are really at the sort of height of many of, you know, raw materials, components, and fixed, Finnish products, in order to ensure the availability to our customers. So in a way I share obviously your concern. But this is something we are quite used to in this business, at this point of the cycle, we see the inventories growing. And now really the supply chain challenges. I would agree are easing, but again, I would be a bit cautious on saying that all the issues are behind. I think we are still in a very volatile world, where a small external shock can sort of play a bit of havoc on that. And so, fully not out of the buffering period. But as said, there is sort of areas where we already are able to ease, and expect improvement, less capital being tied, as we go forward. But still a bit cautious perhaps on the queue for these things, sort of change overnight, obviously it takes some work for us to sort of have a visible impact for you guys.

Klas Bergelind: I guess, let me ask in a different way. You say that it is 60 percent volume, and 40 percent inflation and FX. And I think Pekka you said that this is normal at this stage of the cycle. And I appreciate there is a lot of growth. But if you do a 15 percent margin, and then a negative free cash margin. I'm just trying to understand this stage of the cycle. Shouldn't investors expect more cash. I'm trying to understand what is the underlying free cash level you should operate, if we didn't have this [?? 00:22:32]. Because you were talking before about this supply chain effort, re-designing it et cetera. I want to understand the [?? 00:22:39] around it, and if we can improve the [?? 00:22:42] cash flow, if you like, at this high growth level.

Pekka Vauramo: Well I think there are certainly things that we can and need to improve. We would obviously hope for a bit more normal supply chain situation in the world. It is what it is, and we have to then act against it. You are absolutely right in saying that we have been working already since the covid-related lockdowns and challenges on a more regionalised view. And I think you've seen a few in adjustment announcements in the past months or so, underlining that story. It does, as I said, structural things do take some time. And I think it's also in a way a balancing act, in a situation where our customers are running almost flat out. And their primary and only concern is really on availability, there is nothing that would stop their production. And they are ready to invest in that, we need to be ready to invest in that to support them. And we all know how missing spare parts can then create havoc, if it really stops a circuit from operating. So in a way this is the balance. And if it was easy, we probably wouldn't be discussing it. Fully aware of the challenge. As said, we think we have good reason to it, we are implementing the actions in place. But it's absolute, needs to be a focus. Especially considering the volatility in the world around us.

Pekka Vauramo: There is slight impact of Russia here as well. First of all the deliveries that we are still capable to deliver to non-sanction customers in Russia, and non-restrictive products. Those deliveries have been delayed. And therefore we are carrying material in the inventory for those ones, until we are able to deliver. And then secondly, we are not seeing these bigger packages where we get good advance payments. And advance payments in these bigger packages, it's a longer money than what we get in those bigger packages than in smaller orders. Where we as well have advance payments. But typically the cycles are shorter in these smaller orders. And that has to some extent exhausted the cash flow as well.

Klas Bergelind: That makes sense, thank you Pekka. My second one is on the operation gearing and minerals and aggregates. How shall we think about the margin here in the fourth quarter. Typically minerals move up and aggregates down a bit on seasonality. And we would like to have higher equipment sales into the fouth quarter. Particularly minerals, which could weight on the mix. Is there anything out of backlog looking at price cost that would prevent you from not having at least the same margin here at the third quarter? Thank you.

Pekka Vauramo: Well, mix is always that can on quarterly basis fluctuate to some extent. So that might cause numbers to go either way at this moment, when we look at the year end. At the aggregate side we are delivering our backlog. For sure there is still plenty of orders that we are delivering in near. Maybe the services side could be somewhat thinner considering that in the Northern hemisphere we are heading towards winter. And the [?? 00:26:46] are maybe not operating quite as they used to operate. Or as they do operate during the summer months. So maybe some minor in that part. I do not see this kind of seasonal pattern too much in the minerals side happening. What about you Eeva, can you?

Eeva Sipilä: Maybe, I went through the backlog quite recently. So I think mix-wise we are more equipment driven, and Q four, as we now see it. So that will have a bit of an impact. But nothing else really to add to that, Pekka.

Klas Bergelind: Thank you. One very quick on the strong service growth. 20 percent in the minerals, and there look to be flat aggregates. But again, that reflects the demand seasonality. Was there a big price component [?? 00:27:48] to help the growth here in minerals? Is there an underlying improvement on the aftermarket?

Pekka Vauramo: There is both pricing, yes, we have been active in that area. But there is true physical volume growth as well. Now probably for the first time, we see the physical growth. Still in the second quarter it was mainly the inflation and pricing that provided the growth. But now there is also physical growth.

Klas Bergelind: Thank you.

Operator: The next question comes from Andreas Koski, from BNP Paribas. Please go ahead.

Andreas Koski: Thank you. Andreas from BNP Paribas. So, I have three questions. I would like to start with the outlook on the aggregate market. So you lower [?? 00:28:48] for the aggregate market, despite Q three developed [?? 00:28:53] expected. So that means you did see a sharp drop at the end of the quarter. Why did it lower your aggregate market?

Pekka Vauramo: Well, two reasons in that one. One is that we are heading seasonally, low season in aggregates in the Northern hemisphere. That is a fact that we won't be able to escape. And then secondly of course the European news are not really encouraging at this moment. Even though we don't feel it, we didn't experience any sharp drop at the end of the quarter. Or anything like that. But we are just cautious and aware that things may start to happen, and then become visible during the quarter.

Andreas Koski: That's clear, thank you. And then, I know large orders can be lumpy. What were the [?? 00:29:48] three, and how do that compare to say, the last three or five year historical average? Where we are at the [?? 00:29:55] level in this quarter in terms of large orders.

Pekka Vauramo: I don't necessarily have a five year background on this one. But large orders truly are lumpy. And forecasting them timewise is almost impossible task. So to say. We do have large orders in our pipeline. We see them coming through in the future. We didn't book any in this quarter. And this, I would say, is something that we in fact like the big orders, nothing wrong with them. But then when we look at the orders that we booked in the third quarter, we are very comfortable with the big number of smaller orders, less risky, from many perspectives, as the smaller orders tend to be so. Maybe it's untypical that we didn't book any of the major ones, considering that the cycle has been relatively strong. But that's how it goes, and that's what happens.

Andreas Koski: Then lastly on your margins. So you were close to a margin target for the group in this quarter. It's great to see that the margins continue to improve. But you are still close to 400 basis points below your margin target for the mineral segment. I guess the gap will be closed through off the market growth improve scalability. And maybe also higher sales volumes overall. But could you please help us understand how this gap will be closed? And when will we should expect the mineral segment to reach its margin target. Thank you.

Pekka Vauramo: I think we opened this a little bit in the capital market's day. We will have continued focus on the aftermarket. Secondly, the growth, both organic and in-organic growth, both efforts will be intensified in the areas that will support strengthening of our aftermarket side of the business. Then the fact is that we really haven't seen any normality for the past two years in our business. Going through the covid and now the war and the Russia related issues. Supply chain issues, that we have had. And inflation and those things. And many of these have affected mostly our mineral segment. So we need to see some more stable and environment in order to reach out to those. That sort of numbers. But we are on a journey, we don't give up with those ones now. With healthy development in all the businesses that we have within the mineral service. Good growth, strong margin, consumables now back in the strong margin area where they should be. And potential to grow the equipment and focus on writings on the equipment side. That will be our path to continue improvement in this area.

Andreas Koski: Time frame. When should we expect you to reach?

Pekka Vauramo: Yeah. We know our actions, but we don't know when the normality will return in this business.

Andreas Koski: Okay. Thank you very much.

Pekka Vauramo: Thanks.

Operator: The next question comes from Max Yates from Morgan Stanley. Please go ahead.

Max Yates: Thank you. Just my first question was coming back to the services business. Obviously we have seen, for all mining equipment companies, pretty unusually strong growth rates. So I just really wanted to understand. How much of your service business today would you say is more discretionary work? So things like equipment upgrade, [?? 00:34:21]. And maybe the parts of services that will be a bit more cyclical, if we start seeing mining companies become a bit more cautious. So if you just give us how that split looks between the truly recurring parts and maybe the bits that's a bit more discretionary.

Pekka Vauramo: The recurring part I would say is mostly our consumables business, or our lifecycle business. And that all together, if we take the contractual businesses, both from services and consumable side. I think they are close to one billion already. That's what I would call... As long as customers are operating and contracts stay in place, that revenue will be there. Then the remaining, I wouldn't call it discretionary either, because there are always spare parts. And spare parts, especially the breakdown spare parts, which customers will have to buy if and when the equipment breaks, or parts wear out. That's several hundread millions all together in our equipment all together. And then we have a few hundread million of modifications, upgrades, engineered to order type of things, that are typically the modifications and upgrades where the customers may have an option to do it either now or later. And that is the part that we will see then moving up and down more than the others.

Max Yates: And just a follow-up question around your energy cost. We have seen some companies struggling this quarter with higher energy costs. Obviously doesn't look like it's having affect in your numbers. So I just wanted to understand what it comes to energy costs, is this sort of partially linked to you buying contracts forward? So maybe we haven't sort of internalised the spike that we've seen in energy prices, particularly in Europe. Or is this just, you have been able to compensate with the price, or you've produced more outside of Europe. Just a little bit of colour around whether your numbers do reflect on the latest spike we've seen in Europe.

Pekka Vauramo: I think this is really related to our footprint that we have a footprint where we have a very small footprint in Europe. And hence we are clearly less affected than some others. Where we have, I mean we have obviously seen, I'm sure a similar tremendous increases in percentages on price. But if we think that year-to-date energy gas bill is around 30 million at Metso Outotec. Then even with a high percentage in increase in Europe, it doesn't really massively move the need. And again, we are on the side of the consumable, very little energy consumers.

Max Yates: And just a final one. Maybe Pekka, if you could give us a little bit of colour around what your expectations are for the gold market. I think everyone is fairly comfortable with the drivers of copper and demand needs there, because a lot of energy transitions. But how you are thinking about the outlook for the gold market in the next couple of years? And what is it specifically that should keep driving the gold gaps higher on a [?? 00:38:22]?

Pekka Vauramo:: Obviously times get more uncertain that normally is positive for gold. So should that happen in more global scale, then of course the outlook for gold should be quite good and prosperous. But I think this uncertainty would still have to be probably on higher level than where we currently see that on, in order to really see gold start to drive the business. At this moment it's still copper, and it's the battery metals that are driving the business. Plus then naturally the iron [?? 00:39:02], and more in a sort of a metallurgical side of the iron or business in the steel industry.

Max Yates: Thank you very much.

Operator: The next question comes from Panu Laitinmäki from Danske Bank. Please go ahead.

Panu Laitinmäki: Thank you. I have two questions. Firstly on the consumables business. Just to clarify. Did you say that it's now back to normal profitability as you earlier commented that it was several percentage points below the normal profitability. And then the second is on [?? 00:39:48] for the other and head office functions. There was quite a bit of increase in Q three. Can you kind of give a guidance on what to expect on that line going forward? And what happened in Q three. Thanks.

Pekka Vauramo: Consumables. Yes, it's a correct understanding. We are back in normal profitability, where we expect consumable business to be. And that is every month during the third quarter was like that, then that's a very good development. And then Eeva can you take...

Eeva Sipilä: Yeah. On the group cost. It's a combination of very many things. Obviously we have quite a bit of currency related issues there right now. We have some Russia winout related issues there, that were closing the cause. And I would expect in a way that we will be on a higher level also in the fourth quarter. Then again, obviously the effects side is super difficult to estimate on. But those are the type of items that really then came through there. Clearly Q three was on the high side in our review as well.

Panu Laitinmäki: Can you give a number what would be the normal run rate, if you don't have unexpected things.

Pekka Vauramo: I guess it comes back to, you tell me when we get back to normal. So we haven't exactly seen that. But I would say that certainly half of the Q three were items that were not part of normal operations. We have usually been in this sort of [?? 00:41:42] so million range.

Operator: The next question comes from Antti Kansanen from SEB. Please go ahead.

Antti Kansanen: Hey guys, it's Antti from SEB. A couple of questions regarding minerals' growth coming into 23. Could you comment a little bit about the tasing of your backlog in minerals. How much do you expect to deliver in 23? And then secondly on the services demand growth. If you look at the more cyclical portion of it, which is not driven by production volumes and [?? 00:42:29] indications and such. What is the starting point right now? Have we seen a very strong recovery after covid? Or are we still running below normal demand? Thank you.

Pekka Vauramo: Eeva, do you have anything on the backlog?

Eeva Sipilä: I don't have any exact numbers on the top of my head. I would say it's fairly normal since it is more broadly based and smaller business driven. So I think the majority of the backlog is hence for next year. But then the challenges on the supply side, we obviously mean that what we are selling now is really for 2024. So bigger part [?? 00:43:20] in 23, but there is a sizable chunk for 24 due to the supply chain limitations.

Pekka Vauramo: The second part of the question was about services. The more sort of cyclic parts of the services business. There are in fact two parts. One is these modification upgrades that we call engineered to order or manufacture, order types. And then the second part is really professional services, which is labour component in that one. And we started to see the modifications and upgrades really, the order intake has grown already several quarters. But since there is a lead time with today's supply chain on these ones. We started to see the growth only in the second quarter of this year in these businesses. So we can still expect to be on high level despite of what happens in the bigger picture in the economy for a couple of quarters at leat. And then it starts to depend on order booking after that one. Professional services, the utilisation rates have been strong for several quarters already. We don't see any change in that picture yet at this moment, and we will expect that one to continue to run at high utilisation rate.

Antti Kansanen: Maybe a follow-up then on the consumables which you already mentioned. I guess the impact has been some tens of millions annually considering the cost [?? 00:45:04]. Did I understand correctly that all of the work is now done, and we should expect this kind of reversal on your [?? 00:45:13] for the next three quarters as well as it started on Q three? MId high single digit per quarter.

Pekka Vauramo: We are back in the normal levels that we expect from the consumables. And currently we don't see similar pressures right now there. But you never know in this volatile world what will happen. And it's not a guarantee of. But we are on top of the issues, all those previews for sure.

Antti Kansanen: And just a final check on the consumables, regarding the check [?? 00:45:48]. What is the latest on that one? Is it profitable to operate it, and what's your views on that?

Pekka Vauramo: We have scaled down the production there. We do have some special items that we continue to produce there. The recent news are that in fact the natural gas prices started to go down. This is very recent development. And of course, we at one point, we really need to look critically at how long we can run in that sort of operation, considering how volatile the natural gas has been there. But so far we continue.

Antti Kansanen: That's all. Good. All from me. Thank you.

Operator: Please state your name and company. Please go ahead.

Vlad Sergievski: Hello. Thank you for taking my questions. I'll start with an outlook one. What are you hearing from your key mining customers with regards to the next year budget. [?? 00:47:03]. Are they flat, are they up, are they down. Related to that, are you seeing any signs of hesitation and sanctioning new projects? Or the pipeline you have still [?? 00:47:15] into order [?? 00:47:17] before?

Pekka Vauramo: Still very little about the next year budgeting that we hear from customers. And normally we don't really get very direct feedback on that one. We do get feedback on our proposals, which obviously is reflecting their abilities to proceed with the investments or other types of activities. We do hear that customers are concerned about inflation. So there are some customers, projects, where they are reconsidering doing their project budgets again, and making sure numbers stay together. But this is not a huge phenomenon at this moment. And I didn't quite get the second part of the second. Did you Eeva get that?

Eeva Sipilä: Yeah, it was around similarly, I think you were on the same line in a way that is there any change in the speed of orders converting we see in the pipeline. And now, we are outlook being the exact same as it was three months back. So we are still seeing for the next six months certainly a strong market to continue.

Vlad Sergievski: Thank you for that. And if I can dig into inventories a little bit. Obviously the increase in Q three, I think you explained that. I'm thinking more, is this increase driven by you basically deliberately deciding to carry [?? 00:48:58] components. Which then you unwind while supply chain gets more reliable. Or they are driven by high work in progress, high completed equipment, that you are still yet to deliver to customers. If you can provide some of those details please.

Pekka Vauramo: Sure. I would say the bigger element is the higher work in progress. It really refers to what I said about us having this strong backlog and very strong growth in the sales, in the quarter. And something we of course expect to continue based on the backlog. But then additionally the challenge has really been to have this safety stocks, safety buffers, in a way to be mindful of the fact that we don't get deliveries necessarily in the time we expect. And as a whole host of issues that are there to challenge that you just can't run the operations with us tied just in time philosophy, as you could some years back. Unfortunately. I think that will take some really for the supply chain to globally balance.

Vlad Sergievski: This is super clear. Last one from me. Any update on the Saudi project, and when this one could be handed over to the clients?

Pekka Vauramo: Nothing really new to report on that one. We continue the ramp up there. We are of course in discussion with customer on future, and ending that one. But we don't have any new on that one at this moment. We will be the first ones to tell about them when we are ready.

Vlad Sergievski: Understood. All clear. Thank you very much.

Operator: The next question comes from William Mackey, from Kepler Cheuvreux. Please go ahead.

William Mackey: Good morning, it's William Mackey, from Kepler Cheuvreux. Thank you for the time. My first question would be related to aggregates. Can you give us a sense of where you think your distributes are with their backlogs of inventory. In North America and Europe. Do you think that they are running positions that need to be replenished? That they are happy replenishing? Or you think there is, if you sound back the distributors, are there any early signs that they are thinking of changing their stock levels for aggregates going into the year ahead.

Pekka Vauramo: Yes, they are adjusting their stock levels. But that's mostly because of the seasonality of the aggregates business as such. And this is happening every year this time of the year. And European distributors, yes, they are ordering less than what they did a year ago. But the activity on the other hand in Northern America has been surprisingly strong.

William Mackey: What is your thinking behind why you changed your view on the European aggregates outlook? What are the inputs that lead you to provide that new guidance or commentary?

Pekka Vauramo: Seasonality number one. It's one reason. And then secondly, it's really the European macro, which is clearly worse than what it was some time ago.

William Mackey: Okay. Thanks. And maybe following up from Vlad's question around mining. Could you maybe throw a bit more light on the scale of the ten on the pipeline. There were one or two questions about potential large orders. But how would you characterize the pipeline for small, medium, large size orders within minerals? Going into Q four and into next year.

Pekka Vauramo: At this moment the smaller medium size are as strong as they ever been. The bigger ones, maybe not quite as many than what we had let's say two years ago, or when things started to clear after the pandemic, year and a half ago or so. And that's mostly because of lack of any potential in Russian market, which we have closed for new orders already earlier in this year. We do have nice projects there cooking and warming up already for decision. But like said, difficult to forecast when they come through.

William Mackey: Within minerals, have you seen any efforts by the customer base, if you like offset the loss of supply from Russia by accelerating or proposing the acceleration of green or brown field sites, which would benefit maybe in 18, 24 months time. Within North and South America.

Pekka Vauramo: Difficult to say if they are just because of Russia. But if we just look at our numbers and order intake outside Russia, now in this year, and particularly in the second and third quarter, the compensation effect has been really tremendous there. We have grown the business outside of Russia, 27 percent. Adjusting of course for that one big order in In general with that one. So some compensation must have taken place. But nobody really talks about that they are investing in this one. Because Russia cannot supply, we don't hear that as a justification for an investment.

William Mackey: Understood. Thank you. Maybe for Eeva. Coming back to the discussion around net working capital. I can hear you hope that teams can release some of the inventories. You called out aggregates. And you indicated that there was a potential to release some cash in Q four from working capital and inventory. Can you scale that, do you have some sense of what you would hope to achieve as you move towards the close at the end of Q four?

Eeva Sipilä: I wouldn't be super optimistic. We have two months to go, and December is always a tricky month when everybody in the supply chain, including our customers, is trying to optimise their balance sheet figures. Even if they are paying well now, they usually stop well ahead Christmas time. So that always makes estimating what happens in December difficult. I think we are on the right trend. It's more the impact for next year. But as said, it's more that we are on top of it, managing the actions, and making deliberate decisions in one or the other way around the buffers. Of course much is depending also if we are able to have such stellar delivery performance like we now had in Q three, then obviously we will get deliveries out and out of the inventory. And that's of course where it all starts, to have flawless execution.

William Mackey: Thank you. And a final question from me would relate to service net pricing cost. In the first half of the year, your margins were affected by particularly across your foundries and consumables business for high energy and material costs. And the delay in the price changes and input cost adjustments. When we think about 2023, are you now fully offset, or is there a more positive carry over to come through in Q four and next year, with regards to the price cost mix? In service consumables.

Pekka Vauramo: Most of that has been done already. So we cannot really expect too much out of that one. But we are introducing new concepts, new products. The recycling of consumables and things like that, which we feel is a great addition to our offering. And those are the areas we will carry our consumables business forward.

William Mackey: Thank you very much Pekka and Eeva, very helpful.

Operator: The next question comes from Sindre Sorbye from Arctic Asset Management. Please go ahead.

Sindre Sorbye: Hi, thanks for taking my two questions. First, I think in the second quarter report you mentioned that your [?? 00:59:00] affected by 34 million due to what you described as effect volatility. And then you explain on your call, described two separate [?? 00:59:17]. My question is more, are there any reversal, or part of that effect from second quarter, and generally the effect impact on the operating profit in this quarter?

Pekka Vauramo: Sure. As you well know, the US dollar obviously continued throughout the third quarter to appreciate. And this means that we certainly, again from a market to market point-of-view, had negative impact from an accounting sense. From that appreciation. Then again, as we described in Q two, so the point of hedging is obviously, it is largely a timing issue. So we did deliver on businesses that we were hedging in Q two. Hence, then a positive impact in the sales margin from those deliveries. So whereas in Q two, we kind of only had one side of the coin, when in after a period of stability we had a tremendous jumps in the effects market. This Q three has been more of a continuation of those trends. And then obviously you start to see the pluses and minuses and hence are commenting in the report, that still the net impact is negative, but not in the magnitude as it was in Q two. And hence we didn't raise it more than that. But everything is obviously dependent on that volatility. Creates by definition some accounting implications from hedging.

Sindre Sorbye: Thanks. Also my interpretation is that if you mean stable [?? 01:01:17] get [?? 01:01:19] from here and on-wards. My second question is related to the level [?? 01:01:27]. If you look at your quite impressive margin implement, at least compared to a year ago. It appears that it opens on the gross margin. I appreciate it is more travel, and if the service share increases your sales expenses, not increase more in sales. The service share is quite [?? 01:01:59]. So from here and on-wards, should we expect some operational leverage on the [?? 01:02:08] lines? Or [?? 01:02:11] that the [?? 01:02:15] increase in line with sales?

Pekka Vauramo: That's not an easy question. I think what we are seeing is certainly inflation in some of the spending. I think a part of the labour inflation is yet to come visible. Either third party or our own. The bulk of our efforts has really been around to improve gross margin and to ensure that we have the right actions in place, what comes into pricing, to really fighting against the higher input costs. And has been mentioned during this call already. So good work done in that. And in many areas helping. In that sense helps of course the leverage. But let's see. As said, this inflation is a bit new at these high levels, and we have yet to see the full impact of that. But we are fighting for it to continue to improve the leveraging in line with reaching our financial targets.

Sindre Sorbye: There is no, let's say, no significant, [?? 01:03:46] or positive impacts related to the [?? 01:03:51] yet to come on the [?? 01:03:55] expenses? And sales expenses. Also by the way, since overall operating [?? 01:04:04] are actually increasing from 11 last year up to 31 this year. So that might be a [?? 01:04:12].

Eeva Sipilä: Yeah, the other income row is partly impacted by the hedging mark to market. So, the volatility is really a result of that. And as I said, the other side is in gross margin. So that may be not so rewarding to look at that line alone. But no, I think you are right that we closed the synergy actions at the end of 2021, and of course they run through then the final ones towards the end of this year. And we are pretty much there. Now it's really focusing on the topics that we discussed in our markets, around the business improvements, as we go forward from here.

Sindre Sorbye: Thank you Eeva.

Operator: The next question comes from Erkki Vesala. Please go ahead.

Erkki Vesala: Hi Pekka and Eeva and [?? 01:05:20]. Still regarding the [?? 01:05:24]. I would especially like to hear what's the outlook in admin, and also [?? 01:05:29] going forward. [?? 01:05:30] terms or your sales. Eeva talked about inflation. But do you see the current or year-to-date numbers are sustainable in admin [?? 01:05:41]?

Pekka Vauramo: I think let's... I just want to remind what Eeva mentioned earlier on. That we do have significant [?? 01:05:49] strengthening impact in our [?? 01:05:53]. Our organisation is heavily in countries where currencies are either in US or pecked with the US. And that is clearly visible in our [?? 01:06:07]. In this year. We also book things like agent commissions on this line. And that is to somewhat sporadic number. And with the activity level as we see right now that particular item is inflated on the [?? 01:06:26]. And Eeva, any other comments on your side on that one?

Eeva Sipilä: No, I think it's [?? 01:06:33]. There was a significant element of synergy, which was meant to reduce the [?? 01:06:43] number. As sales growth comes through, then we start to see positives in a way, it is commissions, sales related activities, even trade fairs are back. Let alone travels. That's kind of a normal part. R&D costs this year are a bit on the low side. People have been very busy with customer deliveries. To your question, there I would certainly expect that we are pushing them back higher up, as we go into next year. But otherwise, it's around this inflationary dilemma on how to best predict. And you have good guesses on your side. And we try to make good assumptions on our side. But none of us know of course then what exactly will happen. It's really reacting on that is the overall agility remains essential.

Erkki Vesala: Okay, that's very clear. Thank you so much.

Juha Rouhiainen: Alright, it seems we don't have any more questions at this point of time. Thanks for participating in this conference call where we discussed the third quarter results. And we'll be back with fourth quarter, and that will be early next year, 2023. So, in the meantime, enjoy the rest of the year, and see you soon. Bye bye.