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Juha: Good morning and good afternoon, ladies and gentlemen. This is Juha from MetsoOutotec Investor Relations. I want to welcome you all to this conference call where we discuss our first quarter 2023 results, which were published earlier this morning. Our agenda is usual. The presentation will be given by our President, CEO Pekka Vauramo, and CFO Eeva Sipilä. After the presentation, we'll be taking your questions. During this call, we'll be making forward-looking statements. That's why we have the disclaimer at the start of the presentation. One more thing. We'll try and keep this call limited to 60 minutes because we have our annual general meeting of shareholders following this call. Let's be efficient, and without further ado, I'll give it to Pekka to start the presentation. Please go ahead.

Pekka: Thank you, Juha, and welcome on the line to this call. A few words about the quarter before we go into more numbers and actual performance. It was a strong quarter, with strong demand, especially on the minerals side, strong demand for both equipment and services. Just like we said after the fourth quarter when commenting on our service growth at that moment that we really didn't see any trend in that one we still saw the service demand being on the strong level and this proves that was and is the case.

Pekka: We also delivered high sales growth and recorded high profitability first time exceeding the 15 percent adjusted EBITDA during the quarter. That is of course a very good result and an important milestone for ourselves as well as for the entire organization. We completed also the strategic review of the metals and out of three businesses inside the metals, we will keep the smelting business line. The two other business lines we will divest and we have already initiated the preparations for that one. We also concluded the final settlement for the Saudi Ilmenite project that's the full and final settlement that we have done.

Pekka: We believe that we will be able to complete the settlement within the existing provisioning that we have in our books. Those were the highlights of a strong quarter that we had at the beginning of the year. Our group figures orders at 1.533 billion. That's eight percent growth. In fact, if we adjust that one with some orders that we booked earlier last year from Russia, the growth was 10 percent. The two percent difference would come if we adjusted for Russia those orders sales grew 22 percent at 1.418 billion and good growth in EBITDA, 37 percent growth in EBITDA and the actual number was215 million. That corresponds to 15.2 percent of the sales. Operating profit, 197 corresponding 13.9 percent.

Pekka: That translates into earnings per share of €17 cents and cash flow from the operations of 110 million. That was on a group level, the numbers. Then when we look at our segments, we really had an excellent quarter in our aggregates and recorded high profitability, which came from a strong order backlog that we have in the aggregates, but orders on a lower level than last year, that was what we had. We had also commented on our market outlook that we see the North American market continuing to be strong but softer European demand.

Pekka: Those are the two main markets that we have. We are happy with these almost 380 million order bookings that we had during the quarter. We have some signs in the rest of the world of activity picking up, but not really contributing to the numbers. Here I mainly refer to China and some activity in India as well. I have to add also Brazil to the list where we have seen some interesting developments end of last year, and early this year.

Pekka: The sales we delivered from the backlog are 363 million which is good growth year on year with that one service share being at 31 percent. That is clearly an area where we in sort of medium term and long term need to address and grow our services in the aggregates. Then the real highlight is the profitability. $66 million of adjusted EBITDA translating to an 18.1 percent margin. It's the real strength of the US market and overall improved gross margin. Good management of inflation during and after the pandemic.

Pekka: Good management of the costs, as well as good execution of the acquisitions, are the basis for very good and very strong performance on the aggregate side. Then moving to the minerals side. Very strong order bookings. Strong order bookings both in equipment orders and services. Equipment orders grew by 11 percent and service orders by 29 percent. Typical for this quarter was, by the way, that we didn't book any bigger project orders. We are very happy with small orders because the risk profile is much lower in them but still good growth year on year on that one.

Pekka: Sales of 934 million, which is strong growth in equipment 21 even percent and even stronger growth in services, 33 percent growth, and services share is now 61 percent in minerals. Here as well, we have the potential to go beyond this one in the medium and longer term. Adjusted EBIT 163 really grew from 108 million last year at the same time margin of 17.4 percent showing that we do have potential in our minerals to those levels that we have communicated to the market earlier as our target levels in the long run.

Pekka: Of course, sales growth was important here, both on the equipment and services side and also good management of costs and good management of the inflationary pressures throughout the past years and quarters. On the basis of this delivery. Then the metal segment has somewhat disappointing orders, but a lack of bigger orders is the reason for this one trading activity as such has been good on the metal side as well and this is more about the timing of the orders than anything else. We should not really translate this into what markets have turned down.

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Pekka: It's just a timing issue and metals dependence on relatively higher dependence on big orders. Sales were 120 million last year. 104 million, and we have a strong backlog still in metals. That's where the sales mainly came from. Services share. Very low, 12 percent as we have been in our metals all along. That's one of the reasons why we ended up reviewing the businesses on a strategic basis and have concluded the way how we have we have communicated.

Pekka: Adjusted EBITDA of 11 million translates to an EBITDA margin of 9.1 percent. Last year we had 9.2 percent, so no major difference in that one, that one is good volume growth from last year though. For metals as well. I'll hand it over to Eva and I'll come back then for a couple of slides once I have finished.

Eeva: Thank you and good morning. Good afternoon on my behalf as well. Our CEO Pekka presented already the strong operative figures. Perhaps a word on the group items in adjusted EBITDA. We had 24 million group items related costs in the quarter. This is clearly higher than normal. Approximately half of this figure was a result of the timing of system development and bonus costs. These costs came early in the year and into the same quarter while being unrelated to each other as such.

Eeva: We continue to estimate that the full-year figure for group items included in adjusted EBITDA will be around 35 million. The pace of the costs in the coming quarters will be much lower. Adjustments were small in the quarter. We recorded minus €2 million in the quarter from capacity-related adjustments. Net financial expenses of €12 million were down quarter over quarter and more so year over year. Our effective tax rate for the first quarter was at the lower end of our target range, standing at 25 percent. Our earnings per share for continuing operations were $0.17 for the quarter.

Eeva: Moving to our balance sheet, total assets are up 80 million from the beginning of the year. Net debt at the end of March was €673 million, slightly down from the end of December. The next slide focuses on the element really that is behind the changes on our balance sheet and namely working capital. Net working capital at the end of March was up to €709 million. This is up some 100 million from the end of December. The comparison to last year, end of March, visible on this slide is a very tough one as that number is prior to a lot of inflation and materials and material sales growth since sequentially comparing we saw the trend of the second half of 2022 of supply chain and logistics pressures easing continuing in the first quarter of 2023.

Eeva: This enables us to continue downsizing buffer stocks. However, with 22 percent sales growth year over year, it does clearly add to the work in progress. The seasonality of our aggregates business is also such that the pipeline is full at this point of the year. However, as we have said earlier, during the course of the year, the slowing growth in the business will start to reduce working capital. We have changed the calculation in the graph on the left-hand side where the line now is calculated based on the average of quarterly net working capital and revenues, rather than just calculating one balance sheet figure over the earlier 12 months' sales.

Eeva: This way, hopefully, we better catch a similar timing window for both elements. You and I are naturally happy to take further feedback on this or any other material in this presentation. Cash flow in the first quarter was an improvement year over year, but down from the very good final quarter of 2022. Net cash flow from operating activities was €110 million thanks to strong profitability but affected by a negative change in net working capital of 127 million. As mentioned, we do continue to expect, especially our aggregates business, to start contributing to a better cash flow going forward. Moving to my final slide and main points on our financial position.

Eeva: The main point to highlight happened actually in April after the end of the quarter when S&P Global upgraded their rating. We now have a triple B rating with a stable outlook from them in line with the B AA2 assigned by Moody's already two years ago and reconfirmed by them just this week. We made no funding transactions during the quarter and our available credit lines are unchanged. Debt to capital is down from the year's end and at the end of March was 30.5 percent. So with that, I would hand it back to our president and CEO Pekka, please.

Pekka: Thank you, Eva, just a couple of slides here just an update on where we are with our ESG development. We continue to grow our planet's positive sales. The growth year on year was 45 percent, so very solid growth and it shows that demand is very strong for more sustainable product solutions and technologies. We also continue to introduce new products thickeners. Green steel drives Melting Pilot. The pilot is progressing. That is interesting. New development in there. By the way, the smelting business that we retain as a part of Metso Autodesk's offering is part of or this development is taking place inside the smelting, meaning that there is potential for the future as well in this area.

Pekka: We are expanding our planet-positive filter production filtration as a business that is growing very fast at this moment. Many of our customer's minds are preparing to filtrate also the tailings, not only the concentrates. That has been the case in the past. Filtration is a very attractive business both for equipment and for the aftermarket. Internally, we have taken also many actions in our own footprint. Our renewable energy production from our own solar panels is up 30 percent year on year. We basically are equipping every plant. We are equipping also things like service containers that we are using at our service contracts or contracts with customer sites.

Pekka: They are equipped being equipped with solar panels and we are taking many actions in this area, big actions and small actions in order to improve our own CO_2 footprint. We have been also very actively engaging our suppliers in getting the science-based targets approved. We are making great progress in that area. We're working also with our people and with our culture. We are measuring the culture and engagement through our surveys on a quarterly basis. We are at an all-time high level of our employee engagement. We benchmark ourselves to nearly 100 companies, international companies that are industrial companies like we are.

Pekka: We are amongst the top 10 percent of our benchmark and peer group at this moment with that one. It's a good position to be in when there's lots of uncertainty and movement. In the labor market at this moment. We have also introduced a sustainability-linked financing program for our suppliers, and we have launched that recently. That's natural for suppliers who have committed themselves to science-based targets. Many things happening here and here. The area of sustainability is clearly guiding our development into the future.

Pekka: Then the guidance was where we say the market outlook that we expect the overall market activity to remain at the current level, including the normal seasonality in the aggregates market. We have added the latter part into the guidance because it serves as a reminder that our aggregates business is a cyclical business and where we have the most active part is in the first half and second half we normally see activity dropping our customers. They want to be ready for the summer season.

Pekka: When winter is approaching, then the investment is on a lower level. This is our first quarter. Good, strong quarter. Many thanks to our people, and everyone who has contributed. We are about 17,000 people now globally, and a great contribution from the entire organization globally to this these results.

Johan: Now, operator, we can open the lines for questions.

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. The next question comes from Klas Bergelind from City. Please go ahead.

Klas: Thank you. Pekka any other class at City. My first one is on service growth. Looking at orders. We had this tough comp for on-site services last quarter at the time, however, Pekka, you were pretty confident that service orders could grow in 2023. Here we are off to a very strong start. I'm just trying to understand what is driving this. Is this on-site service all of a sudden accelerating again? Is it new annual contracts? Is it spares and wares are we seeing certain commodities driving it? If you could help us with the drivers, and to what extent the improvement here is sustainable next couple of quarters? I'll start there.

transcript

Pekka: We are at that good sort of speed in our services. I would say in all product lines we might see some sort of a renovation of annual contracts at the beginning of the year. That really doesn't explain, the full peak. I think it's a strong, robust activity across the board, across the markets as well in our services. This is how I would put it. I don't have any sort of further insight. Eva, anything that you would comment on here?

Eeva: Well, maybe, of course, this is a very strong number indeed. Perhaps you can then sort of draw a bit of the conclusion that some of these orders perhaps could have come in December. Now came early this year. Certainly, we had a very strong March, which in my view, I think indicates that April being a short-term month we'll probably take some orders from that. Obviously, I think the sort of cluster that's driving is the fact that metal prices are strong and customers are very focused on getting everything out that they can. It is very much, of course, around copper, very much around the battery metals. Nothing really new from that point of view, but just the very broad focus on productivity and really getting every possible amount of material processed.

Klas: Great. Then my second one is on the margin. You're now going through the strategic review here ahead of the summer like you always do. Given the solid trading, you're probably thinking about the next level for your margin target. You obviously have peers in aggregates like Sandvik delivering margins of 16-17%. You've done a higher margin this quarter. Your margin targeting minerals is already pretty ambitious. There are 20%. Can we talk about when, Pekka, you think that you will have an update here for the market on potential new targets, X metals? If you would, give us a little bit more of a horizon of these ambitions this time. Earlier you said, for example, that the margin target is more of the cycle. That would be helpful to get some clarity on that.

Pekka: We of course... It's a board review after which we then may update, the guidance or sort of margin targets. We still don't know exactly what the timing of the metals carving out as such or those businesses will be at one point. Yes, we will report them, and start reporting them as a discontinued business. That is, of course, the natural point when we do the sort of mechanical upgrade of our targets if it then happens sometime later in the year, we might combine that one then with the upgrade of the targets if the board so decides but we will be transparent in what is the impact of the businesses to be divested on the margin. Then what is the actual and real increase in the targets? In what shape and form the targets will be? I mean, the future will show us that then the current targets are over the cycle and we are of course reviewing that one as well. That is that the right way of setting targets.

Klas: Good, my quick final one is just on product mix because obviously there are some people out there that think that when you deliver more equipment versus service, that will start to eat into the mix and the margin. Obviously planet positive, at least historically, has been higher margins and a higher share of orders relative to sales. I'm just wondering whether that gap is now closing and where the product mix in minerals help the margin this quarter and whether that will help the margin going forward as well as the invoice out more planet-positive orders out of the backlog.

Pekka: They do contribute to our profitability. It's a fact that over the years, over the past couple of years, despite inflation, we have been able to improve our margins. We have taken actions both in sort of cost side. We continuously improve. We have this year's cost reduction or productivity improvement plan, as we call it, internally ongoing. We will have it next year. We had it the year before. That contributes to our result. Naturally, we have been taking actions on the pricing side as well in those areas where the market pricing has allowed us to make moves. End result is that we've been able to improve the margins across the board.

Klas: Thank you.

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

Antti : Hi guys. It's Antti from ACD. A couple of questions regarding aggregates actually, and follow up on the earlier discussion on margins. I mean, you've been above 15 for a couple of quarters now and now a very strong 18 in Q1. How should we think about whether there is anything extraordinary now behind this Q1 number kind of leading to deliveries out of backlog as the supply chain has been easing, that there's been a kind of unfinished good sitting in there, which you are now releasing? I mean, what I'm trying to get is that is this as good as it gets? Or have you kind of seen a structural improvement in the profitability profile of that business? What can it actually do longer term? Maybe a discussion around that, please.

Pekka: If we take a longer-term view of how the business in aggregates has developed. I mean, this is of course, this current jump seems like a high one, but it's a continuation of good work that has been done over the years in aggregate, I would say starting from the McCloskey acquisition. Good integration of that one, some other smaller acquisitions that we've done as well. They are all performing well and the integration has gone really well into mezzo Autodesk's aggregates business. Altogether I would say that is the biggest contributor.

Pekka: Then, we felt and we sensed the inflation early on when that one started to sneak into business. That was in fact during the third quarter of 2020. We initiated right away the actions because we foresaw that we cannot anymore look at the rearview mirror, where we come from when it comes to costs and we needed to go to the future costing model we needed to take actions to control our costs, which we did well during the pandemic.

transcript

Pekka: Then naturally pricing is the other side. When activity picked up at the end of the third quarter, and the end of the fourth quarter of 2020, that was really good timing with all of these actions and efforts and those good times have continued until very recent times. I would say if there's anything extraordinary is a good execution by our aggregates team over the period of several past years and this is what the result is now there.

Antti : Nothing extraordinary.

Pekka: Nothing extraordinary during the quarter.

Antti : Good. So kind of in terms of gross margin, you kind of feel that your pricing is now aligned with cost inflation, not that you are getting some type of extra benefit for a quarter or two.

Pekka: Well, both actions. Actions work on the cost side and pricing side are behind this development.

Antti : Okay. Then a couple of questions on demand. I mean, first, if we can talk about Europe, Obviously the comparison periods still in January and February are a tough one. Sequentially, have you seen any trends in European demand? Then the second is on the services, which have been declining for a couple of quarters now. Is that more of a European business than the equipment side? Does that kind of exposure explain why the services are lagging behind a little bit now?

Pekka: It is very much a European thing. Maybe on the services side, there is to some extent, the destocking that we see with our dealers. I mean, they feel that the stocks might be full of worn parts for example. We've seen some of that one but not to the level that it would be alarming.

Antti : Then on the equipment demand in Europe, are we just continuing with the same upward trends?

Pekka: Continuing on the same sort of sentiment where we have been for the past several quarters now in Europe?

Johan: All right. Thank you. That's all for me.

transcript

Operator: The next question comes from Christian Hinderaker from Goldman Sachs. Please go ahead.

Christian: Good morning, Pekka Vauramo Thanks for the time to take questions. I want to talk about pricing, maybe. I wondered if you can quantify or at least comment on how much of the top-line progression has come from pricing. Then also you talked about successful pricing cost management as providing that boost to gross margins. I just wonder whether we should think about now a structural step up in incremental margins and begin modeling a higher drop thus in terms of the price-cost dynamic for the rest of the year. That's my first question. I'll come back to the other two.

Eeva: Christiane, I think the pricing really there is no one number as Becca was answering the previous question. In fact, it's really been a process of a couple of years where we've been sort of moving, I think, well ahead of the curve of the inflationary pressures, and that then sort of being very visible in the margin development. Obviously, we sort of continue on that. Clearly, there is less inflationary pressure in the materials still continues on the Labor side. If we look at the sort of just the more recent experience.

Eeva: Then of course, as you can imagine in Europe in aggregate. Obviously, we are in a situation where customers start to be much more price sensitive due to the overall, business situation. You have to sort of move In all directions, all the time. I think the best success is really around being ahead of the curve and then compensating and the backlog quality is good. I think they sort of said the biggest spikes are in a way behind us. That was really sort of pretty much at this time the previous year when things were very much going through the roof when the war started.

Eeva: That really sort of added a lot of volatility in the market. Don't necessarily sort of not sure quite sure what you mean with a step up but I don't see any additional step-up per se right now. I think this is really a lot of hard work over a lengthier time. That's what's demonstrated. Obviously, we have all intention to keep delivering now that we're starting to enjoy exceeding 15%. Well, we kind of like being here and intend to be on this side.

Christian: Thank you, Eva. You mentioned, I guess, wage inflation. You had an 8% increase in headcount year on year. Obviously, the 22% growth in revenue implies some productivity growth. I guess thinking back to a few months ago, you were talking about wage inflation running at much higher rates than was historically the case. I think Labor's around 21 to 22% of your cost base. I just wondered if you can talk about the cost changes you're seeing both as it relates to inflation, I guess, per head as well as some of the efficiencies and cost actions that you've mentioned in the call. Thank you.

transcript

Pekka: You know, we have dimensioned our continuous improvement or product productivity improvement plan that we do annually, which should correspond to roughly the labor inflation, and that labor inflation including this year it's roughly 50 million that we see at this moment. Of course, there's a lot of movement in the labor market and it's not guaranteed that it will stop at that amount. We have actions already in place for this year to reduce our cost base at least for that amount. That's the way we want to look into the future and we want to install a culture of continuous improvement we already planning areas for 2024 at this moment where we're going to take some of these actions.

Pekka: It is a multitude of actions. The entire organization is involved. All our businesses and all our market areas are involved. It mainly consists of, small streams of really different it's things it's a mixed bag. We are applying the same methodology that we used when integrating Metso and Outotec. It's a gate model where we start from the idea, verify the idea establish an action plan, follow the implementation of the actions, and then we verify the results. The gate model very simple model but requires a certain culture that can be applied. We have that one and thanks to the integration process that we went through and we don't want to lose that culture and those capabilities from the company.

Christian: Thank you, Pekka. Maybe then to finish, I guess just to follow up on Klaus's earlier comment with regard to order intake, in particular in minerals aftermarket, in the first nine months of last year, you were averaging 20% organic growth. That declines around 10% in for four Q. You were at that stage we're talking about normalization in refurbishment and large-scale activity as a possible driver. You've then had more than 30% growth in Q1 and you're effectively guiding that current run rate, which bear in mind is 26% higher in euro terms than the average of the last 12 months is sort of the outlook for the coming quarters. Just interested to understand what you think was behind the softness in Q4 and then, you know, whether Q1 is now the new normal. Thank you.

Eeva: Well, I think first, to be very clear, our outlook guidance is on market activity, not our orders per se. Clearly, we see a sort of market activity continuing strong as has been that in mining for quite some time. We really don't with the visibility we have had, we don't see any change in that. Then, orders of course can always be a bit timing dependent. Like you rightly say, comparisons obviously vary as well. The percentages are always a bit tricky to comment on. I think as such, we have no reason to change our earlier comments that really there was a post-COVID, a very high degree of refurbishment and bigger retrofits, and right now we are busy delivering those, and customers are busy ramping them up.

Eeva: Quite naturally that slowed down a bit late last year. Then again, the opportunity for productivity is still great. We sort of we don't expect any long-term issues with that. It's just a bit sort of how also customers are able to digest certain in investments and perhaps I said certainly a sort of a very strong growth number now in orders in this first quarter and I was as I was indicated, not necessarily sort of expecting something similar as a percentage. Again, as I said, activity to continue being good and on this very strong level.

Christian: Understood. Thank you.

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

Operator: Thank you. I have three questions. Firstly, on the Minerals Equipment Orders outlook, you already commented aftermarket, but what about the equipment? Can you describe what you are seeing in the pipeline? Is it more small orders or big ones? Any comments on what you are seeing?

Operator: The small orders. Order inflow is very sort of convincing currently in minerals there are bigger orders also in the pipeline or bigger potential orders in the pipeline. Like we always said, the timing of these ones is always difficult to forecast when they come in and for sure we will see some of those coming in this year but same talking the inflow of small and medium-sized orders is really robust at this moment and we like that profile of orders because the risk profile is totally different. It's mostly product sales, and the sort of project-specific tailoring is minimum in these smaller orders normally.

Panu: Thank you. Secondly, just on the kind of mix of orders in terms of metals, I think you previously gave us a chart showing the exposure to copper, battery, metals, and so on. Has this changed a lot from 2021, which is the last year when you gave this chart, just kind thinking about how the share of copper increased and battery metals.

Pekka: I wouldn't say that from last year. The change hasn't been that big. We see and same comment. What I remember commenting after the fourth quarter was that we do see more and more lithium and these really the battery metals battery grade nickel projects coming up. So that is something where we at least see a number of projects growing and a lot of interest and a lot of activity in the copper assets is a major item currently, and so is gold as well.

Pekka: What is on the equipment side and project side almost non-existent is iron ore at this moment. Very little activity there in Pelletizing there is activity and we've announced several orders lately or lately on pelletizing, but nothing sort of a mining side referring to grinding and crushing and grinding at that part of the comminution part of the process. But copper, gold, battery, and metals.

transcript

Panu: All right. Thanks. My final question is on the margins. Can you comment on the kind of profitability of services and equipment in minerals and aggregates mean without going into numbers, can you comment on the levels and reason for asking this is that you actually achieved this very good margin in aggregate while the services share in that business came down to 31 and then in minerals it was about double that. It had a lower margin as a whole. So just wondering kind of how this split between the equipment and services profitability in these divisions.

Eeva: Sure Panu as we commented earlier on, so we've been able in aggregates to really do very good work for uninterrupted good work, on the modularization and really product, the product profitability. Also a lot of footprint changes on what we produce where and that really is a major lever in the profitability improvement because as you rightly point out the services it is a service growth is not behind because we really haven't seen a service growth in that business. Hence I think it's fair to say that we believe we are really at the sort of top end of the companies.

Eeva: When thinking of this type of a product productized business. Then again on minerals, we've said that we've obviously been much busier with the integration, and whilst there is a lot of good work ongoing on the modularized and productization of the offering, we have still much more work to be done. Hence the difference between aftermarket profitability and equipment profitability is still material, but we're working on both. It's really on improving on both elements rather than sort of necessarily chasing 1 or 1 or the other, so to say.

Panu: Okay, thanks. Can I just have a follow-up? Clearly aggregates. Like equipment, profitability is higher than minerals at the moment, but is the service profitability similar?

Eeva: Typically in a business where customers are more 24/7 focused the obviously the downtime cost is much higher in mining than aggregates and that does impact customers' willingness to pay for avoiding downtime. Then of course it puts a tougher requirement on also us to deliver. That explains why the aftermarket tends to be more profitable in mining.

Pekka: They are structurally different businesses that aggregate most of the go-to-market the most common is wire distributors and then we do sell spare parts and wear parts to distributors naturally with a discount, which means that the upfront margin is lower. At the same time, we don't engage ourselves in a professional services labor component. It's much lower with our dealer business. Therefore it's quite difficult to compare them. We participate in the aftermarket with the most profitable part of our service offerings spare parts in the aggregates business while we have a full offering in the minerals side. The volume is much greater the percentage of the aftermarket is much higher there.

transcript

Panu: Okay. Thank you.

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

William: Yes. Good morning. Thanks for the time. Kepler Chevre. My first couple of questions relates to aggregates. From how you observe the trends in Q1 and looking to Q2. How would you describe the distributor inventory levels by region and perhaps the distributor behavior in Q1? If there was any pull forward of this sort of spares and consumables or equipment and perhaps how you're reading the distributor stock levels and how they may behave going into the second quarter or the second part of the year.

William: Then my second question again relates to aggregates. Just to really understand what you're communicating, the success of all of the work on the pricing actions and cost actions, and the benefits of perhaps a normalization of the supply chain we should be anticipating you can sustain this level of profitability for at least the foreseeable one to two quarters ahead. It's how we should perhaps specifically think about that margin level that you've now achieved.

Eeva: On the distributor behavior. I think there is a regional difference, and I think there is no big difference between distributors and customers per se. They are both much more cautious in Europe and both customer groups are more bullish in North America. This very much relates to the underlying demand and availability of funding and the whole picture. In Europe, there is clearly visible caution and said volumes in unit terms, volumes are clearly down from a year back. Just the fact that inflation in a way when we report in euros masks part of the part of that volume drop.

Eeva: Obviously, it means that they are more focused on their inventory. And so are we, because it's not in our interest either to push anything into a pipeline that doesn't move. We also need to manage our risks very much in the same way as we did in 2020, when there was caution in the market. Then to your question on aggregate. Indeed, when we are able to really run the operations at a full level, we think that there is nothing extraordinary in the quarter.

Eeva: Of course, there is uncertainty now on that volume outlook towards the second half of this year. That will then obviously have an impact on how well and efficiently we are able to run the operations.

William: Thank you. My brief follow-up against sticking with aggregates. When you look over a longer time period and take into account the success of pricing means in aggregate if we were to look at the changes that you achieved in equipment pricing over that two-and-a-half-year period, what sort of price increase across the group should we be thinking of? Is this ten, 15, or 20% in terms of the quantum?

Eeva: It's more than any of those numbers.

William: Brilliant. Thank you very much.

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

Nick: Yes. Hi. Nick Housden from RBC. Thank you for taking my questions. My first one is a follow-up on the result of the strategic review of the metals business. I was just wondering if, you know, maybe without necessarily being specific about the exact numbers, you could give us a rough idea of sort of the margin differential between the smelting business that you're keeping and the roughly €300 million worth of sales in the metals business that you're carving out? You know, just looking at the full-year numbers for the division, they were close to 11%. It does imply that the smelting margin must be quite a good number. Correspondingly, the margin for the other businesses is probably quite low. Thanks.

Eeva: Yes, Nick. Maybe the best way to answer your question is that eventually when our preparations for the divestments advanced enough, the two businesses for sale will move into discontinued operations and smelting will then be reported as part of the minerals segment. We don't see the smelting business having a negative impact on the mineral segment margin. It fits well there, which then tells you that when the total metals are around 10%, then obviously it gives you an idea of the profitability of the two other ones.

Nick: Thanks. That's really helpful. Then my second and final question is maybe just looking sort of down the road and kind of through this mining cycle that we're experiencing at the moment. One of your peers that discloses aftermarket growth in their mining-related businesses has said that business over the past decade or so has grown at about 7% a year. I'm just wondering if we're thinking about, you know, modeling for your business, you know, minerals aftermarket sales growth, if that's a fair starting point, in your view, sort of mid to upper single digits or if there's sort of a structural reason why it would be different to that peer. Thanks.

Pekka: I don't see that there's any structural difference as such. We haven't done the number seriously. Maybe we should do that exercise to firm it up. I would say that we see fairly similar things happening. What we have done organically as we have grown our life cycle services is part of the business. There we have been growing faster than the market as such. Other than that I would say that we grew with the market and we have grown with the nature of the business as well.

Pekka: Then, of course, there are some drivers when we look into the future that where business is headed for example, we know that filtration de-watering will be done more also tailings will be subject to filtration, and that is a relatively high aftermarket part of the business. So we can expect some growth when we take a bit of a longer-term view, medium-term, and long-term view on the aftermarket.

Nick: That's great. Thank you very much.

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

Antti : Thanks for taking a follow-up, Eva. Just a question on the cash flow that you already mentioned, kind of the prospects in the coming quarters. Just coming back, is there any kind of headwinds that would prevent you from reaching a lower working capital for sales going into the back half of the year? I understand the seasonality, but just a year-over-year comparison, would you expect to release cash out of the working capital this year?

Eeva: That's very much the that's very much the target. Of course, the headwinds in a way are that as you see from our numbers, we are growing at very high rates. So of course, we have a natural need for working capital in order to keep our customer promises. Of course, compared to last year, there is more inflation in the system. Definitely working hard to turn the trend in as the supply chain and the overall sort of hassle risks have reduced there's less need for buffers and extra check points so that a very we are very focused on delivering a better cash flow this year. And working capital is really the other element the profitability we have a good start on.

Antti : Just to remind if you kind of remove these excess buffers and extraordinary items, what's the long-term level of working capital for sales that you are targeting and what are kind of the self-help stuff that you are doing in order to get it a bit lower?

Eeva: I think the challenge is in our business that when it is a cyclical business, so there is one number that will depend also on the cycle. For instance, where we are within, the aggregate cycle or a mining cycle. I think the sort of now the graph we had in our material, we're kind of trying to work in a way that this is a business where we shouldn't be sort of tremendously working capital, heavy per se as a lot we work to orders rather than stock, but let's see.

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Eeva: You know, during mezzo the tech, we've had three crazy years in the supply chain. I'm not sure I can expect a normal ever to come but as I said moving let's see where we get this year and certainly on a better level. It'll be easier to discuss what perhaps the future normal could be.

Antti : All right. Thank you.

Pekka: All right. We are approaching half past. As mentioned, we'll have our AGM starting momentarily. We need to go to the meeting location to greet and welcome our shareholders and start the meeting shortly. This wraps up our first quarter 23 results conference call. Thanks for participating. Thanks for asking questions and I'm looking forward to speaking to all of you soon again. Take care. Bye bye.