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Hanna-Maria Heikkinen: Good afternoon, ladies and gentlemen, and welcome to this news conference regarding Cargotec financial statements review 2020. My name is Hanna-Maria Heikkinen and I'm in charge of investor relations. Before starting the presentation, I kindly ask you to pay some attention to disclaimer. As a reminder, we cannot discuss any merger related topics in this call due to US securities law regulation.

2020 was an exceptional year in many ways. The positive news is positive trend has continued since May in terms of net sales, orders and comparable operating profit. For full 2020, we succeeded to deliver satisfactory comparable operating profit margin. Our service business was resilient and share of eco-efficiency sales increased. Just before Christmas merger with Konecranes was approved by our extraordinary general meeting. Summarizing these key messages, I would say that we saw good performance in an exceptional year.

Today, our CEO Mika Vehviläinen will start the presentation with 2020 highlights. He will continue with marketing environment and group development. After that, our CFO Mikko Puolakka will continue with business areas, financials, dividend proposal, and outlook. And after the presentation, there is a great opportunity to ask questions and get good answers. Mika, please. Time to start.

Mika Vehviläinen: Thank you, Hanna. Good afternoon, ladies and gentlemen. And from my behalf as well, thank you for participating on the Cargotec Q4 2020 conference call. 2020 was indeed an exceptional year and I'm proud of the performance that Cargotec was able to show in its operations through this difficult crisis. There are many good takeaways to take from the 2020 despite the difficult situation.

Overall, when I look at our orders obviously declined year on year in 2020. However, we started to see a very strong recovery in our orders, especially in our most profitable product segments in Hiab and Kalmar mobile equipment at the latter end of the Q3. And we saw the acceleration of that demand in the orders in Q4. And that's obviously very visible on the Kalmar mobile equipment and Hiab order intake in Q4.

Our sales declined compared to 2019, and the fact that orders declined quite strongly throughout Q2 and early part of Q3 was then visible in the delivery mix of our Q4 where the portion of the more profitable Hiab and Kalmar mobile equipment was slower than usual affecting somewhat operating profits as such.

I'm very happy to see that the resiliency in our services business was maintained there and services only declined slightly primarily coming from less value added maintenance services and onsite services that they're restricted due to the COVID impact. Also, it's good to see that the R&D investments that we have done in developing our eco-efficient solutions are bearing fruit. And actually, our eco solutions grew year on year by 9% whereas the rest of the solutions and equipment business actually declined. And it's now representing 24% of our revenues. We are actually ahead of our plans and are already past the initial targets we set for next year in our eco-solution revenues as well.

Operating profit was obviously impacted by the COVID, but I'm very happy about the performance that the MacGregorTeam has been able to show, the results actually improved by 24 million compared to 2019. And the good work that we have done with the TTS integration and savings is clearly delivering improving results now. And this is the fourth quarter in sequence that MacGregor has been able to improve its performance.

Despite savings actions and the COVID crisis, we actually continue to invest and increase our investments in R&D. And our R&D investment resulted 105 million in 2020, primarily driven for accelerating investments in electrification, automation and robotics.

The large installed base of connected equipment in Hiab and Kalmar is actually giving us a great insight in terms of actual activity in our key customer segments and industries as well. And this is the data now from the Q4 situation in 2020. As you can see in our primary market area where the most of the equipment is actually connected, we are now at the same level as before the COVID crisis, both in North America market as well as in Europe as well. Also looking at the recent data from this week, we have seen the same trend continuing, despite the quite the difficult COVID situation in many of our key markets. We still see the equipment running hours to be at the same level or slightly above – of the same level a year or a year, so pre COVID crisis as such.

Market environment obviously changed quite a lot throughout 2020, and overall numbers declined, for example, in a global container throughput, but we already started to see the recovery, and actually the traffic already increased on Q4. We expect a strong recovery of the global container throughput. where the analystexpectation for the container traffic growth for the 2021 is 8.9 percentage points.

Construction activity declined also through the COVID crisis in our key markets, but we already see a strong recovery happening in Q4 and the market expectations for the construction activity growth for the next year, both in North America as well as in Europe show quite a strong growth in both markets. And that's quite visible in our customer operations already today. The very challenging market conditions in merchant, marine and the traditional offshore continued in MacGregor. But the bright spot for us is the increased activity level north shore wind installations. There are a number of interesting projects cooking up; and offshore wind farm market is actually expected to quadruple in next few years.

As said, we have seen the recovery of orders. The trend really started in Q3, especially in September. And that strong – has further accelerated throughout Q4. Especially in Hiab, the order amount was all-time high. We announced today also two military orders. The one with the value of 180 million. It's good to remind ourselves that out of that 180 million potential order, we only book about 24 million into the Q4. If you exclude the two military orders, the Hiab order intake still would have been an all-time high record with roughly 380 million orders. So we see a very sort of strong recovery happening in the Hiab key markets.

Also, the order intake in Kalmar has recovered and this is coming almost solely from the Kalmar mobile equipment part which is the more profitable part of the business. And we did not receive any larger automation orders in Q4, but we clearly see sort of the market activity picking up there as well as we move into 2021.

The difficult market conditions in MacGregor were clearly visible in the low ordering take in MacGregor throughout Q4. Order book actually grew from the previous quarter and especially we entered 2021 with about 100 million higher order backlog in Hiab compared one year ago. Also we have seen the order backlog recovering in Kalmar, and the order books mix is more favorable for us. MacGregor a difficult market conditions are visible in the MacGregor lower order book.

Overall, when I look at the order book, that makes me quite confident about our opportunities to improve our operating margin in 2021. Whereas when we entered the 2020, about 50% of our order book was in the lower margin businesses in our Kalmar project and automation business, and MacGregor. Rhe same number now in our order book is 40%. So 60% of our order book at the moment is coming from Hiab and, more profitable Kalmar mobile equipment business.

The recovery continued in sales with improvements in those areas and comparable operating profit obviously also improved. Comparable operating profit was affected by the fact that low order intake in Hiab and Kalmar mobile equipment Q2 and early part of the Q3 resulted obviously the lower deliveries and less favorable mix for us in the Q4. This will somewhat still be visible in our Q1, but now the strong order recovery towards the end of the year will be then visible from the Q2 onwards in our books on that one.

Also I said, I'm very proud of the investments we have done in the services and software. And clearly have they have shown their capabilities. Their services remained at high level. The strongest decline was] in MacGregor, this is primarily coming from the decline in the dry docking activity due to the COVID crisis, and then obviously access for the vessels overall, which sort of a lowered our maintenance type of services in there. Only a slight decline in Kalmar and Hiab primarily coming from lower value-added services such as installation and maintenance work. Our core services numbers remained at solid level in all of our businesses and the service gross profit actually improved in 2020 compared to 2019. Also the software sales remained roughly at the same level as last year and services and software now represents 35% of our revenues.

The investments we have done, and very clearly, we see a stronger interest towards the eco efficient production, driven by regulation customers own sort of sustainability strategies and outside pressure coming from our customers as well. Some of the examples of the eco solution deals that reached last year was 20 hybrid shuttles for the port of Virginia in USA, fully electric medium forklift trucks for some of our key customers there. And we also launched a number of new products. We had a next-generation three-wheel drive truck mounted forklift wlith Li-ion batteries available for our customers. We also introduced a container nice charging solution for our customers in ports and terminals that enables them to use more efficiently electrified solutions. And as we have said before, Kalmar’s whole product portfolio will be available in electrified format during this year. Revenue on our eco solutions grew nearly 10% in 2020, and represents already 24% of our revenues, and as I said, we are well ahead of the plans at the moment. The interest really for these types of solutions is higher than we have expected. We are already ahead of actually targets we have set initially for the next year.

I will hand over tool that my colleague Mikko in a second. But overall, a very solid performance in difficult conditions last year. I'm very happy to see the resiliency of our services business. It's good to see the interest and the investments we have done in our eco solutions bearing fruit and the growth in the revenue in those product services, and the very strong order intake in Q4 especially in our more profitable services sets us very well for the 2021.

That's one. I hand over to Mikko.

Mikko Puolakka: Thank you, Mika. Good afternoon also from my side. Let’s start with Kalmar where we had quite mixed environment concerning the customer activity. In the mobile equipment, like indicated by Mika, we had a very, very good demand. We had nice orders, for example, in applications which go to terminal – logistics terminals as well as industrial applications. And we announced also in Q4a 400 terminal tractors order for a North American customer.

On the other hand, the orders for larger cranes were very low and there we have a good pipeline. No orders were canceled, but the customer activity or investment activity has been unfortunately very slow. Due to this fact also our order book has declined to EUR 842 million. However, looking at Q4 order book, we already improved from Q3 levels.

Q4 sales declined by 13%, we’re EUR 411 million. And the decline came actually from mobile equipment. And like Mika indicated earlier, this decline is very much attributable to the low Q2, Q3 order intake, which is now visible in Q4 sales. The automation and project related revenues were actually stable and benefited from the long delivery time of that kind of business.

The services declined slightly. The service decline was actually very much coming from the maintenance and project type of services which require physical presence. And that is now impacted by the COVID environment. So spare parts service was actually stable year on year.

Kalmar profitability declined from EUR 44 million to EUR 28 million. And this is coming from two drivers. The first one is the sales decline. And the other one is more unfavorable sales mix, meaning that we had higher product revenues versus higher margin smaller equipment revenues in Q4.

Like Hanna-Maria indicated earlier, we have advanced with Navis divestment. Navis divestment is expected to complete during the first half. And now at the end of the year, we have also reported Navis as asset held for sale. Hiab had a particularly strong quarter in many aspects. Orders increased very, very nicely. We had a couple of military orders roughly EUR 30 million in value in total. Like Mika already said, those orders are not yet contributing to great extent in Q1 one sales, but more visible in Q2 and later revenues.

So, now we start the year 2021 with approximately EUR 100 higher order backlog in Hiab. So, a good start for the year. In Hiab, very similarly, like in Kalmar, revenues were impacted by the low orders in Q2 and Q3. And that's now visible in Q4 sales. Services sales declined by 5%. Actually within services, the spare parts revenues grew and this service sales decline gain from installations and accessories which are very much linked to new equipment sales. Hiab’s absolute profitability declined to EUR 41 million. But when we looked at relative profitability, that remained actually on last year's level. The absolute comparable operating profit decline came from revenue decline. And the reason why we have been able to maintain the relative profitability stable is coming from the cost and productivity measures what we have done throughout the year as well as very successful activities in pricing as well as the material cost management.

Then in MacGregor, the difficult market situation continued. That is very, very visible in the orders as well as in revenues. Orders declined in all three divisions – merchant, offshore and services as well. Customers are still very much postponing their opex, and that’s also visible in services. So for example, dry dockings have been postponed until the future quarters.

MacGregor sales decreased 5%. Actually, the offshore and merchant equipment revenues were stable and sales decline came from services. The comparable operating profit is a kind of bright spot in MacGregor, EUR 16 million year on year improvement in profitability. This is very much coming from the successful TTS integration and the related synergy benefits as well as offshore business restructuring. We have had also a good project execution. So the project have been proceeding according to the estimates. During 2020, MacGregor generate the EUR 20 million cost savings compared to 2019 cost level. And then for this year, we are targeting another EUR 13 million cost savings.

Few highlights about our key financials. If we look first Q4 despite the 14% sales decline, we were able to maintain relative profitability on last year's level. This is very much thanks to the cost savings across the whole company in all organizations as well as stable Hiab comparable operating profit and a significant improvement in MacGregor profitability.

Looking at the full year results, orders down by 16%. And this total Cargotec orders, the largest decline in the orders was actually in the automation and project business, where I already earlier indicated that customers have been very slow in their investment decisions. The full year profit comparable operating profit margin declined by 1% units, here the largest factor being the sales decline, and then also unfavorable business mix more project revenues versus revenues coming from a smaller equipment sales.

Our items affecting comparability were EUR 133 million. Here the biggest items are related to the Chinese joint venture reorganization, MacGregor-TTS integration and offshore restructuring. Those are the biggest items.

We can be very satisfied with the cash flow development; very strong cashflow in Q4. This came to great extent from net working capital reduction. Of course, when the volumes decline also, the net working capital is expected to decline. But we have then also productivity improvement in this area, meaning that our inventory turnover as well as our receivables turnovers have been improving significantly. And the total cash flow for 2020 was EUR 297 million against the 2019 when it was EUR 361 million.

Thanks to the good cash flow also, our financial position is very strong, and also the liquidity position is very good. Our gearing was 52% at the end of the year. And when excluding the IFRS16 lease liabilities 39%. And our target is to maintain the gearing below 50% excluding the IFRS 16 lease liabilities. Total liquidity EUR 935 million. This has improved by EUR 65 million compared to 2019.

Looking our debt maturity profile, very balanced. During the next 12 months, we don't have any mature debt repayments upcoming. Our dividend proposals to the annual general meeting is EUR 1.08 per B share. This represents approximately EUR 70 million in total dividend payment. The dividend would be paid on 1st April, 2021. And the dividend payout excluding the EUR 133 million items affecting comparability would 78%.

And our outlook for 2021, we estimate that there are comparable operating profit for 2021 to improve from year '20. And it's also good to note that we are changing our comparable operating profit definition slightly from 1st January, 2021. It will be more in line with the comparable operating profit how we have defined and published that in the prospectus. So in the new comparable operating profit definition, we exclude the so-called purchase price amortization effects. And those were in a 2020 EUR 24 million. We will publish the comparable quarterly 2020 numbers, restated numbers latest March this year, so that you can have a good comparison number.

And with those words, I will then hand over back to Hanna-Maria for questions.

Hanna-Maria Heikkinen: Thank you, Mikko and thank you Mika for the presentation. Like I said, now there is a possibility to ask questions. So handing over to the operator.

Operator: Thank you. If you would like to ask a question, please signal by pressing star one on your telephone keypad. If you're using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. Again, press star one to ask a question. We'll pause for a moment to allow everyone a chance to signal for questions. We will now go ahead with our first question. Your line is now open. Please go ahead.

Speaker: Hi Mika, Mikko, Hanna. I am Magnus with UBS. A couple of questions. First, I would like to dig a little bit deeper into the mix there with Kalmar. I think based on the audit trends we've seen in the past couple of quarters, is it fair to say that we will have a still quite poor mix in Q1 and that it will reverse into Q2 and then the back end of the year? And to what extent do you think it can reverse? Can you reverse the full list of adverse impacts that you saw in 2020?

Mika Vehviläinen : Thank you for the question. And maybe I will take – you are absolutely right that the mix was very unfavorable in Q4 due to the low order intake especially in the mobile equipment throughout Q2 and early parts of Q3. And as I said, we only started to see that recovery happening in September onwards, and has been – So very much the order increased that came through in Q4 was driven almost solely by the mobile equipment. So right now the backlog mix is quite different, but as have communicated also in the past, it’s about 6 to 12 months lead times for that type of equipment. So that favorable mix impact will not be that visible yet in Q1, but certainly will be more favorable on Q2 onwards. Also, I have to say we are very disappointed about our performance in approach of automation division as well throughout the 2020, and we making measures to make sure that business will be more profitable in 2021 as standalone basis as well.

Speaker: And going into 2021, how does the mix look compared to when you went into 2019, for example?

Mika Vehviläinen: As I said, overall at Cargotec level. And the MacGregor project and automation was about 50% of order backlog at the beginning of 2020. It's now 40%. So quite a significant shift towards higher band mobile equipment. It now represents 60% of overall backlog.

Speaker: Okay, got it. Thank you so much. And secondly, could you help us put some color on the quite high one-offs in the quarter, what they're related to and if there's any efficiency gains improvement related to those costs?

Mikko Puolakka: Yeah. The quarter for one-offs were related to basically productivity improvement programs where we expect to have positive cost impact in the coming quarters. Part of that was related to MacGregor where I already indicated that we are looking after EUR 13 million cost savings, but then there were also productivity actions done in Hiab as well as in Kalmar, and those costs will be then visible in the coming quarters.

Mika Vehviläinen : As we said earlier, we are moving from the temporary cost savings into the more structural cost savings. And that became very visible in Q4. Our headcount is down by – net amount – about 1000 persons compared to the beginning of the year. Furthermore about 1500 externals have been taken out, so overall about 2500 persons net headcount effect on that one. And that obviously then drives some of the restructuring costs as well in Q4. So from temporary to more permanent cost savings and driving a better cost base for the 2021.

Mikko Puolakka: And of course, we will continue with certain – and then we continue also with certain temporary measures. So, for example, traveling is very, very low at the moment.

Speaker: And will those more permanent measures will they net out one-to-one with the temp ones you had this year, or should it be sort of factor additional savings on top of what we already have seen?

Mikko Puolakka: I would say that those permanent ones will compensate to extend the temporary ones, not the entirely, but to a great extent.

Speaker: Perfect. Thank you. If I can squeeze in one final one on here. Could you give us some color on how the growth trend there across the regions and Q4 and Q1 has started?

MIka Vehviläinen: We saw very strong order recovery in North America, but also in key European markets as well on that. So maybe slightly more positive in US, but both markets showed a strong recovery on that one. And also both in Kalmar mobile equipment as well as in Hiab we have seen actually that strong order intake continuing also in the early parts of this year.

Speaker: Excellent. Thank you so much.

Operator: We will now take our next question. Your line is now open. Please go ahead.

Speaker: Good afternoon. Artem from Credit Suisse. Thank you very much for taking my questions. My first question is about margins. Could you please help us quantify the negative mix impact in Kalmar in Q4, and maybe on the group level in 2020 overall? And then as the second part of this question, thinking about the 2021 EBIT bridge, could you maybe talk a little bit about the major moving parts how you see mix reversible temporary cost savings and cost inflation? That's my first question. Thank you.

Speaker: Such a difficult question. So I hand it over to Mikko.

Mikko Puolakka: Yeah. If I start with Kalmar margin impact, I would say that if we exclude the negative mix and the Kalmar automation and project related unsatisfactory performance, Kalmar gross, comparable operating profit margin would have been on last year’s level. So, we are talking about couple of percentage points on quarterly level in Kalmar.

And what was the second question?

Speaker: The second question was, could you talk us through the moving parts for 2021 EBIT bridge, cost inflation, reversible temporary cost savings, FX and I guess mix?

Mikko Puolakka: Yeah, quite many moving parts there. Of course, I don't have a crystal ball concerning the currency impact, but like I said earlier in the previous question with this permanent cost savings, we are to a great extent compensating those temporary cost savings that we generated in 2020. Cost inflation or salary inflation, yes, there is a certain salary inflation. But that we aim also to compensate with productivity measures. So, all in all, I would say that one should look after a favorable cost development continuing next year, if you compare that to 2020 level.

Speaker: Okay. Thank you. My second question is on Hiab margins. Just to check if there are any one or positive one-offs in the quarter and how do you see sustainability of that 13.9% margin going into the future? And also specifically on FX, I think US dollar has been going ahead against your exposure for a number of quarters already. So should we expect any considerable negative transactional impacts on margins in Hiab this year?

Speaker: Yeah. Thinking Hiab Q4 margins, there were no one-time type of items. So it was purely operational performance. And, of course, very, very much driven by also good deliveries in Q4. So, no one-off items there. Also, I would say that the currency impact in 2020 is negligible very, very small. And in Hiab business, like we have said also earlier, the US dollar-euro development plays a certain role, so should the US dollar-euro weaken then, – or US dollar weaken then against euro in 2021, that would have an adverse impact on Hiab. Depending on the fluctuation, it can be a couple of millions of euros.

Mika Vehviläinen: It's good to remember that out of the Hiab US or North American revenues, about 40% of that revenue is created locally by local manufacturing and local services, as well about 60% is coming from the European manufacturing base where we have hedges in place all the time. So that the impact of the dollar is probably not as large as – a few million euros as Miko was indicating.

Overall, I have to say that it's been good opportunity with the COVID crisis to show that how much more resilient that Hiab business is these days compared to the previous crisis. Despite the fact that he lost 20% on top line, our relative operating profit margin was actually at the same level one year ago. So the Hiab business model, the investments in services and operational excellence are clearly paying off now. This also gives us obviously a very good basis when we see sort of stronger order intake now to take advantage of the situation moving into '21 with the lower cost base.

Speaker: Thank you very much. And last, very quick question on Hiab order intake and Q4, about EUR 400 million, do you think that was some pent-up demand from maybe Q2 to weakness, or that's a largely underlying market demands which you will be comfortable for us to extrapolate going forward?

Mika Vehviläinen : It was an exceptionally good order intake. As Miko said, small part of that one was coming from military orders, but even if you clean out the military orders, that was still about EUR 380 million of orders that – potentially both some pent-up demand from the earlier part of the year. Our customer activities overall, we see it from the data and we hear it from our customers, is at a high level. The construction activities at the high level, the e-commerce and generally the logistics are actually doing quite well across the board at the moment, and that's driving clearly the demand in that part. And many of our customers are actually – in Hiab case have had a very good year in 2020 despite COVID crisis.

Mikko Puolakka: And the good orders came from all divisionsloader cranes, truck mounted forklifts, the demountable services. So, so overall good performance in Q4.

Mika Vehviläinen: And there was some speculation on our side as well that we do price hikes now in Hiab and starting off the 2021, that the incoming pricing increases would have also driven the order intake. But actually looking at the orders now for the first five weeks of the year, we have seen the strong development to continue as well..

Speaker: Thank you very much. That's very helpful. Thank you for your time.

Operator: We will now take our next question. Your line is now open. Please go ahead.

Speaker: Hi, it's Aurelio from Morgan Stanley. Thank you very much for taking my questions Mikko and Mika. I guess my first question is around the margin potential of MacGregor, because we've obviously seen, as you mentioned, Q4 is now in the row of sequential improvement. Then I think it's three quarters now that you are back into profitability. And my question is after this 13 million in extra savings, what can we expect in terms of margin development? Because obviously there's moving parts, the order book] is down that you're dealing with progress, but you have the operating savings now. So just if you can help us to think about margins in MacGregor going forward, and also what could be in a blue sky scenario, the margin targets for the division?

Mika Vehviläinen: We expect MacGregor to stay profitable or return to for profitability to be precise, actually, return to profitability '21. The margin development is good. We have also seen improvements in our project margins where we have sort of cleaned up some of the poorer project margins we saw in 2019, especially, obviously against the improving cost base and improving margins as we saw the order intake especially in Q4 was quite soft. So at this stage I think what we see is that despite the fact that there is a risk of revenue decline in '21 against '20, we should maintain the profitability full year for MacGregor.

Speaker: Okay. That's super helpful. And I guess if I look at the performance of your cash flow, especially in 4Q, you've done a very good job with inventories especially. And I guess a little bit of that precursors into 2021 as your sales ramp up again, is that a fair assumption, or as you mentioned we have reached a new inventory turnover level that you want to keep that?

Mika Vehviläinen: Generally, if I look at our net working capital efficiency compared to other machinery companies, we usually fare quite well. And especially the improvement in the second half of this year has been very good for us and we do plan to keep those ones. The current strong recovery in order obviously do put a strain into the supply chain, again, so it's been quite the rollercoaster ride in central supply chain with strong big line in Q2, early parts of Q3, and now quite a recovery. And obviously we need to be able to manage that one then as well.

Speaker: Yeah, thank you very much. And maybe if I can just finally touch on that point a little bit on your supply chain. Are you seeing any kind of issues there in terms of sourcing components and a lot of inflation that you think are not going to be able to pass on to your customers or is that largely on track?

Mika Vehviläinen: Generally, we have done a very good job in Hiab and both Kalmar mobile equipment; in terms of pricing, we have sort of put quite a lot of effort in our pricing competencies, and those are yielding results. We have seen improving gross margins in our products coming from the sourcing saving and better pricing as well. And it's interesting now to monitor the situation, we still see a strong recovery, how will that then impact components availability and pricing when we move. But in terms of the sourcing agreements, we are fairly well hedged to a very large extent already for the 2021 pricing and cost impact from that one.

And as I already indicated, we have, for example, done fairly large extent pricing increases in Hiab now in the beginning of '21 as well which will be yielding better pricing for this year.

Speaker: Great. That's super helpful. Thanks very much.

Operator: We will now take our next question. Your line is now open. Please go ahead.

Speaker: Thank you. This is from Antti from Danske. Hi. First of all, I think Mikko said Navis is an asset held for sale. But did you still a book Navis profits and sales into Kalmar?

Mikko Puolakka: Correct, yes. So, Navis has been reported and will be reported more or less as normal in our business area in Cargotec results. In the balance sheet, we have separated it from our assets and liability notes as an asset for sale. So you can see basically a separate note, if I remember correctly 7.4 in our financial statements later with the Navis related breakdowns.

Speaker: Okay. And is the EBIT separate in that note, or do I need to ask that?

Mikko Puolakka: You need to ask that.

Speaker: How much was Navis EBIT?

Mikko Puolakka: Navis had a good operating profit in Q4 and was actually improving from last year's Q4.

Speaker: And you don't want to tell how much the EBIT was?

Mikko Puolakka: We don't disclose kind of individual businesses operating profits, only the business areas.

Speaker: Okay. Then a broader topic on ship orders and MacGregor demand. I mean, we have been waiting for many years a turn in ship orders, that hasn't materialized. Is there is any change now when you look forward in terms of broader market recovery for MacGregor?

Mika Vehviläinen : Well, if we startwith the Clarkson estimate, then it's anybody's sort of decision how much to put the trust on those ones. They do indicate recovery on the market in ‘21. We do see an increased activity, especially in the container ship space on that one, with a number of interesting projects now, or prospects in the line of sight on that one. On the traditional offshore market, we do not see a recovery, but then as I already indicated, we do see a number of quite interesting projects and off shore wind installation and services as well. So that's market seems to be progressing quite well. Those would be the bright spots at the moment.

Speaker: Okay. And then finally, on Kalmar and automation and projects business. Now I think you said throughput is expected to recover by 8% this year. Would this mean that the ports would again start looking into bigger expansions or do they already have the capacity? How do you see on that picture?

Mika Vehviläinen: There were capacity constraints, actually multiple ports in Q4. The content traffic is expected to grow as well. But I actually see it the largest driver for the container automation projects not necessarily coming from capacity requirements but from the cost pressures. The strong consolidation of the shipping lines has put increasing cost pressures for the terminal operators. And the automation is the single largest opportunity to actually run more efficient operations. And talking to customer, I think this will be the primary driver for the investment. Last year it was obviously very disappointing with no major contracts. We clearly see that margin or that market sort of starting to recover and the number of prospects is activating as well. I think the Konecranes Q4 order is a good example of the investment started to come back in there. It's still very difficult to estimate the actual time of the orders, but I'm absolutely confident that we will see a better market and some of the orders coming back during the 2021.

Mikko Puolakka: We have also not seen any deals disappearing from the sales funnel. So customers are actively working on these. But of course these are very large investments for the customers. And in these kinds of environments, it's sometimes easier decision to postpone the decision then to make the investment decision.

Speaker: Yes. Now that you have a divested the Chinese joint venture for manufacturing, how would this impact the margin going forward? Is it a positive or is the negative compared to the past years for Kalmar?

Mika Vehviläinen: It will be positive, but the kind of extracting ourselvesfrom that one, it was not the cost-free option for us. We knew that that's going to be a price to be paid on that one and developing an alternative supply chain that's happening at the moment. It did have a negative impact on our margins in ’20, and unfortunately that was further enhanced by the fact that because of the COVID the travel restrictions being there, actually, we were instead of using some of our own persons, forced to use local subcontractors in most the project implementation. This was clearly a more first option for us. So the project margins were actually lower than expected on those areas. And very clearly the commitments in the automation also require an investment from us, that combination of those ones resulted last year in the disappointing results in our automation project business. We clearly obviously see and are confident that we are able to recover that business by having now sort of building a new supply chain on that fund and improving the project margins on that one as well. So we will be recovering from that business, but last year was very painful for that business

Speaker: And would you finally say that building a new manufacturing value chain or supply chain is not limiting you from taking orders right now, because compared with Konecranes, for example, order intake grew more than for Kalmar. Could it be that this holds you back at the moment?

Mika Vehviläinen: No, I think most of the orders we have seen coming through our now so called repeat orders, that was the case in that one as well. So it's really a cool question of the timing of the different customers planning for an expansion of their current installation and install base as well. So it has no bearing on the supply chain. We are able to actually deliver from the existing and also from the new built supply chains. These actually – the developing supply chain gives us more flexibility going into the future. We'll be able to actually then deliver from the multiple different locations depending where the projects execute – that had no bearing. It's just the question of the different timing from the customer decisions.

Speaker: Okay. Thank you. That's all.

Operator: So just as a reminder, if you want to ask a question, please press star one on your keypad. We will now take our next question. Your line is now open. Please go ahead.

Speaker: Hi, it's Antti from SEB First question is kind of regarding the supply chain and especially on kind of Hiab and Kalmar going into 2021. I mean, I'm sure you can push through input cost inflation while your price increases, but if I take a look back a few years ago, it was also about availability which caused kind of a delay on the production side. Is there any risk that now we're seeing a lot of industries ramping up at the same time, and it's a bit of a messy supply chain overall, globally. So are you preparing for some ways into potential supply concerns in the mid-year?

Mika Vehviläinen: Yeah. And it's a good question. I know, obviously when we have taken the lessons learned from the 17-18 situation, and obviously our operational capabilities and quality in terms of managing that has improved. But it certainly is concerned in terms of the overall supply chain capability to ramp up. But I think from our own pure operations point of view, I think we're set in a much stronger position that we were at that time.

Speaker: And you are not currently seeing any of this yet in your sourcing?

Speaker: We are not seeing yet, but the recovery has been very strong at this stage. And that's something I certainly – to keep our eye on.

Speaker: Okay. And then secondly, if we look at the kind of temporary cost savings in 2020 and the divisional profitability is kind of – which units were the most benefited by the savings? And now when we move to more structural savings and '21, would it fair to assume that those are mainly on the project side of Kalmar automation and MacGregor?

Mika Vehviläinen: Yeah, well, first of all, on the MacGregor side, as we indicated we expect the full year to be profitable on that one. The cost basis is lower and moving into this year as well. So we are confident on improving profitability in MacGregor. We will improve our profitability in projects and automation as well. It was a very harsh year last year with that extra cost coming from multiple sources. But the best opportunities I actually still see in Hiab and mobile equipment coming really from the increasing order backlog and the current demand situation. And that's combined with the cost efficiency measures we have taken last year sets us in a very, very good position in '21.

Speaker: Okay. Is there any way to kind of quantify howthe attempted savings kind of more visible in 2020 profitabilities of different business units?

Mikko Puolakka: Well, from the temporary cost savings, we have said that the savings have been approximately EUR 10 million per month starting from April onwards, and those were lasting until September-October. Also today as we speak, we have still have temporary cost savings in place which will continue until further notice. And like I said, a very large portion of these temporary cost savings we have also converted into permanent cost savings, which will be then visible in our 2021 financial statements.

Speaker: Okay. Lastly from me regarding kind of the eco efficient sales, especially on Kalmar and roll out the electric fleet or electric product offering. Are you having kind of a larger discussion with the same clients of introducing automation at the same time as well? Or is it it's only about kind of buying certain individual electric vehicles, or how does the discussions have went recently?

Mika Vehviläinen: Excellent question. It does come up. But actually when you electrify, it's easier to automate as well. In a certain product categories, especially, say in the terminals, that option is there and we are investing quite heavily to improve our , we have first trials going on into smaller equipment, fully automated then, or partial automated smaller equipment that is also electrified. And that's an interesting area. Certain segments are – because the operating environment is not particularly stable with al lot of moving parts, that's not very realistic in the short time being. But certain sub segments, the automation comes up as a potential interest. But I would say that we are now seeing already a strong sort of demand increase, interest increasetowards electrified vehicles. And more curiosity about automation in there where we have first customer trials running. But I think we will first see that uptake now as we have seen an electrified solution, and that most likely will be followed later on with the more automated solutions as well.

Speaker: Alright, thanks. That's all from me.

Operator: We will now take our next question. Your line is now open. Please go ahead.

Speaker: Thank you for taking my follow questionArtem from Credit Suisse. Just on Navis, could you may have to update us on where are you in the disposal process and whether there is any – whether there are any cutoff date in the auction which you are running?

Mika Vehviläinen: Their interest on Navis has been very high. We have a number of potential buying candidates that are now engaged, and the discuss us with Navis. And as we have indicated earlier, we expect to close the deal during the first half of this year.

Speaker: Thank you. And with disposal of Navis, do you see scope to reduce R&D spending as percentage of revenue, or it was required to step up R&D for electrification or any other products?

Mika Vehviläinen: We are looking at stepping up their electrification and also the robotization or automation or smaller equipment. So obviously Navis R&D being software is particularly high. So it will reduce the – my sense would be that we will have – if you take Navis R&D cost out, then you look at the plant increases in other areas of R&D, our overall R&D cost will go somewhat down in ’21 depending of course – or if you would take the Navis out from the whole year.

Speaker: Right. Thank you very much. My last question is around cash flow and working capital. Could you help us with what we should expect working capital in 2021?

Mikko Puolakka: If we look our kind of operative working capital, meaning inventories, receivables, minus advances and minus accounts payables, that has been in the range of 17-18% annual sales. And it depends a bit on the business mix, what kind of increase, for example, we would see. If there would be a steep increase in services and some equipment business, that might require in the beginning certain additions in the net working capital.

On the other hand, if we get for example automation or MacGregor automation and project orders with advance payments or MacGregor orders with advance payment, that would then decrease the net working capital. But I will say that if you take our, let's say, last year’s second half or the full year net working capital kind of average it for the full year, that could be used as a rough proxy for the future.

I said, we have done we have done productivity or process improvement in inventory management, in receivables management. That will contribute into future working capital development. But there are certain businesses like services which requires a certain working capital. And when that increases, then also the absolute working capital increases.

Speaker: Thank you.

Operator: It appears that there are no further questions at this time. I would like to turn the conference back to the speakers for any additional or closing remarks.

Hanna-Maria Heikkinen: Thank you for great questions. And thank you for good answers. Q1 reports will be published on 28th April. So looking forward to see you then. Stay safe and healthy.