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Hanna-Maria Heikkinen: Welcome to this news conference regarding Cargotec's half year report 2020. My name is Hanna-Maria Heikkinen, I'm in charge of investor relations. Our business environment during Q2 was exceptional due to COVID-19 and related decisions and restrictions from authorities. Despite of those, our performance was solid. Both demand and our own delivery capability improved during the quarter. Good news is that our service and software was also resilient. We reacted rapidly to the crisis and started temporary cost savings and our rapid actions are visible in our comparable operating profit. We have a strong financial position and our total liquidity is 970 million euros. In May, we also announced our climate ambition to be a 1.5 degree company. Today, our CEO Mika Vehviläinen will go through the highlights and COVID-19 situation, and then our CFO Mikko Puolakka will continue with the business areas, financials and outlook. Mika will end the presentation with strategic progress and climate ambition. And after the presentation, there is a great possibility to ask questions and get solid answers. Please Mika, time to start. And for your information, we are keeping required safety distance here.

Mika Vehviläinen: Thank you, Hanna-Maria. Good afternoon on my behalf as well and thank you for joining the Cargotec Q2 2020 call. First, I would like to say that I am very proud how our people in Cargotec performed during the Q2, delivering a solid performance in very tough and exceptional conditions. And I'd like to take the opportunity to thank all of our employees, our customers, and our partners for good performance during the difficult conditions.

The Q2 started in very difficult circumstances with fast dropping orders, delivery difficulties due to the closure of our own manufacturing units and our supply chain issues as well. But we have seen a gradual improvement throughout the whole quarter. The solid performance was delivered by a few facts. First of all, we reacted to the situation relatively quickly, but more importantly, the investments and the developments we have done into our asset-light business model, our services and software, and to our control and processes - they're clearly paying off during these difficult circumstances. I'm also very happy that we made good progress in our strategy execution during the Q2. And I would say our strategy is even more relevant after this pandemic than it's ever been in terms of sustainability, safety, reliability of automated robotised electrified solutions.

I am also very proud and excited for the fact that during the Q2, in our annual general meeting, we announced the target to be a 1.5 degree company by 2030. As Hanna was already saying, I am covering the overall development. Mikko Puolakka will go through the business area specific. And then I talk a little bit about our strategy in the end.

The orders dropped quite significantly, 27%, but we saw clear improvement over the quarter. May numbers were already much better than the April numbers and June numbers were better than the May numbers. Also, our delivery capability improved through the quarter and all of our manufacturing and assembly units are now back in operations. Our top line of course, took a hit as well, coming from the delays or difficulties in customer operations, and the manufacturing and delivery capabilities, and issues with the logistics as well. That situation also improved throughout the quarter.

Despite the difficulties we actually delivered a solid operating profit and actually our relative operating margin improved from quarter one. I'm also happy of the solid operating margin both in Hiab and in Kalmar throughout these difficult conditions. I'm also very delighted about the good progress we are making in MacGregor, where we improved quarter on quarter, and year on year, and are heading to the right direction towards the break.even during the second half of this year.

Again, a very difficult quarter in many ways. The safety of our personnel, our customers and partners of course has been a top priority. And I'm happy that we didn't have any bigger issues with pandemic in our own operations or sites. The short-term actions we took in terms of the salary cuts, personnel, external work, travel cuts etc. delivered a 10 million euro per month savings. That was very visible in our operating profit as well. Orders declined, but we have not had any major cancellations in any of our businesses. But we are still lacking any larger automation orders. Customers are waiting for the situation to clear. We did land one medium-sized automation order during Q2. But we still expect major automation orders within this year, if the situation continues as it is at the moment. It's also good to see that services and software has been stable. And I come back to that one. The declines have been primarily related to the new equipment deliveries in Hiab.

Now, when I look at the market conditions, the one I actually follow personally closely, is actually our own data. We get real time data from tens of thousands of pieces of equipment that are connected and operating by our customers, and that gives us a very good visibility about the activity-level in the cargo flow and logistics in different segments, in different geographical locations. Here you see two graphs. On the left-hand side, you see Kalmar mobile solution index in running hours, and on the right-hand side you see Hiab loader crane activity index that takes into account the driving distances, crane cycles, operating times, drops, etc. As you can see in the mobile Kalmar mobile solutions, and this is a combination of many different segments and geographies, we reached the bottom of the activity, nearly 20% drop, in the late April - early May. Since then we have had a steady recovery on that one. And right now, we are roughly at the 90% level, so roughly 10% down from pre-COVID situation. I come back to that geographical split on that one in a moment.

From the Hiab side, you can see again similar more than 20, in this case roughly 25%, drop in activity, but actually also a very steady recovery in the activity. And actually, at the moment in Hiab loader crane side, the European activity slightly exceeds the activity level we had pre-COVID in January–February. And the US activity is roughly 5–10% lower than it was pre-COVID in the loader crane segments.

The benefits of that data obviously are visible and help us in directing our own business, but they also have been very helpful for us in directing in our services operations, for example, and helping our customers. And I think it's very clear that after this crisis, the utilisation of data and connectivity etc., is going to be much wider spread, and that development will accelerate as the good experiences of this one are coming through.

From the geographical point of view, one can see that the activity level in Asia-Pacific has returned close to the normal level. Even Australia, actually we have some higher levels than we saw pre-COVID situation in there. However, the relevant markets where the most of the connected equipment are actually are the European markets and North America. You saw the recovery curve from the roughly 20% down. Europe has actually been a more resilient market and has also recovered somewhat faster than the US market, and it's roughly now down 90%. You also see the 93%, which is the equipment utilisation rate across the board at the moment. So we are slightly down still from the January–February numbers. The US market has lagged somewhat behind in recovery, but actually last week where the data is based now on, we saw actually a surge of activity there and we landed actually end of last week 10% down, similar number to Europe. This could be somewhat to do with the 4th of July week and then the sort of activities behind that one as well. But overall, a sharp slow-down in many of our customers operations and then steady recovery during the last two months.

If I talk about the market conditions in a little bit more broader sense - obviously in the first half, we saw quite a sharp decline in container throughput, 9.6% during the first half. Now, the market is expected to recover already in Q3. And the container throughput is expected to reach 2019 level during the quarter four. For 2021, market is expected to increase by 10 percentage points.

The construction output also declined both in Europe and US during the first half, but actually in the last month or weeks, we have seen the activity level starting to increase again, where both the housing permits as well as the housing starts have started to increase in US again. And also we have seen increased activity level in most of the European markets.

The MacGregor market conditions continue to be difficult. Even from the very relatively low level, we saw a 33% decline in merchant sector during the first half, and even though the percentage increase actually in offshore sector looks pretty good, it's actually coming from a very low activity level. In offshore sector, I would like to highlight that there has been a real transition happening in MacGregor, and proportion of oil and gas related activities in our offshore sector is less than 20% of MacGregor offshore segment now. The fishery and aquaculture is an increasingly important business for us, and the real growth opportunities are now in offshore wind installations, where we have landed our first orders. And I expect actually the recovery in offshore sector happening through the sustainable energy investments and through the investments in fishery and aquaculture.

Again, orders declined, but we started to see the recovery happening in the following months on that one. MacGregor orders are actually slightly up, but that increase came primarily from the addition of the TTS business into MacGregor. The good news is that our order book is still at a good level moving into the second half, and now that the delivery capability is returning, this is a good backlog to have.

Sales decreased. Customers obviously had a number of difficulties in their own activities. We had issues with our delivery capability due to site closures, and then on the supply chain and component availability, because many of our suppliers also had closures. But the activity level and improvements have happened. As I said already, all of our manufacturing and assembly units are now back in operations, and also the supply chain is actually recovering close to normal as we speak.

Very happy about our performance in software. Despite the difficult market conditions, our software sales increased further. We saw especially good progress in the software as a service, or SaaS revenues, in MacGregor, and also in automation software.

The services declined somewhat. The Kalmar decline came primarily from the services that are related to access for customer sites, where there are a number of restrictions in place. Hiab decline came solely from the installations and accessories which are directly related to the delivery of the new equipment. The Hiab maintenance and spare part businesses actually remained stable throughout the quarter. And the MacGregor service revenues increased primarily coming again from the impact of the TTS addition into the business. Services and software is now 37% of our total sales. With that I'd like to hand over to Mikko Puolakka, who will cover the business areas more in detail.

Mikko Puolakka: Good afternoon also from my side. Let's start with Kalmar where we had a sharp decline in orders in April. But like you saw from the previous slides, the order and customer activity improved then in May, and then further in June.

Orders were 293 million euros, minus 30%. The mobile equipment orders declined sharply in May and then gradually improved. Also the automation and project orders declined. In general, we have a good sales funnel for the automation and project orders, but in the current environment customer decisions take time.

If we are looking at geographical areas, EMEA and APAC were more robust and the biggest decline took place in Americas. Kalmar sales were 350 million euros, minus 18% year on year. And we had a growth in automation and projects revenues, as well as in software revenues while mobile equipment revenues declined.

Like Mika showed, the services revenues declined, but this decline was mainly attributable to the kind of services which require physical presence at the customer site, and this kind of site restrictions and travel limitations have been affecting the delivery of those services. On the other hand, we have seen also increasing demand for remote services, and this could be a future trend also going forward.

The Kalmar comparable operating profit, in euros as well as in percentage, remained on a good level despite a decline in sales. We had a favourable impact coming from sales mix. Services amounted 35% of the total sales. Also the long-term investment, what we have done, to the asset-light operating model, processes and procedures are making our operations more flexible nowadays. We have also been reducing workforce by 350 FTEs, during the last 12 months, and this is contributing to the profitability of Kalmar as well. And then we have had the temporary cost savings in place in Kalmar since April this year.

In Hiab, the COVID-19 was very visible in orders and sales, but comparable operating profit margin remained on a good level, 10%. Orders declined very similarly like in Kalmar, mostly in Americas, while EMEA and APAC were more robust. As we have a fairly short cycle from order to sales in Hiab, the lower orders in the second quarter were also visible in sales. The service sales declined like Mika indicated, but the service sales decline was mainly attributable to services, which are related to new equipment.

As mentioned, the comparable operating profit margin remained on a healthy level. This is also coming in Hiab, like in Kalmar, from the sales mix, services amounting 30% of sales. And then we have been also rapidly adjusting our cost base in the assembly units. We have done also in Hiab good progress in various productivity improvements, like customer pricing, as well as in the supplier material cost, driving the cost down. And also in Hiab we have the temporary cost savings in action since April.

In MacGregor, we start to see the first impacts of the TTS integration clearly visible in the results, so the trend is going to the right direction. Orders grew by 4%. Merchant orders were flat while we had a good order development in offshore and, for example, in the offshore wind, renewable energy type of segments. TTS contributed to sales and orders. Sales grew by 28%, and even organically sales grow by 3%. In MacGregor, we saw the service sales, even though they were growing, the service sales were to a certain extent impacted by the COVID-19 situation as some vessels had travel, kind of, entry limitations and there were also travel restrictions in place.

Kalmar comparable operating profit was negative, minus 4 million euros, but a significant improvement year on year, as well as compared to quarter one. So the restructuring activities and also the TTS integration are showing clearly the signs of improvement. We had also growth in our merchant business that contributed also to the profitability. And then, like in other two business areas, we have had also the temporary cost savings measures in place since April.

The TTS integration is progressing very well, and due to this reason, we have also increased our savings target from the previous 15 million euros to 18 million euros for this year. So far, we have delivered 7 million euros, and 11 million euros to be delivered still in the second half.

A few words about our key figures. Order book on a good level, 1.8 billion euros. Our comparable operating profit 43 million euros, 21 million euros lower than in quarter two last year. Figures declined from Hiab, then in the Kalmar and MacGregor improving. We had 63 million euros of items affecting comparability. Here the largest item, 40 million euros, was related to the divestment of our share in the Rainbow Cargotec Industries joint venture in China that happened in June, and then the remaining 20 million was related to the restructuring of MacGregor TTS integration, closing of offices and laying off personnel. These 63 million euros are related to activities which we expect to improve our profitability going forward.

We have also conducted the MacGregor goodwill Impairment testing in the second quarter, and the testing showed no need for impairment. In fact, the goodwill impairment testing headroom increased from 7 million euros in first quarter, now to 37 million euros in quarter two.

Our cash flow was 4 million euros for the second quarter. The decline compared to last year's quarter two is coming mainly from the lower profitability. We have been able to release cash from receivables. However, we have had somewhat higher inventories due to the supply chain disturbances.

Our financial position and liquidity are strong. Gearing was 64% at the end of June and, excluding the 177 million euros of IFRS-16 leases, our gearing would be 50%. It's good to remember also that only part of our interest-bearing debt is having a loan covenant. So basically, the bank loans which are amounting 37% of our total debt are having a covenant, and the single only covenant is gearing, and the gearing level, the covenant level is 125%. So based on this, we have a very rich headroom to the covenant levels. Our liquidity, as said also in the beginning, a very strong 970 million euros. Roughly half of that liquidity is cash and the rest are bank facilities.

Our debt portfolio is well-balanced between different instruments, bank loans 37% and long-term bonds and Schuldschein 57%. No major loan repayments coming up in the next two years. And we have also raised 250 million euros additional debt in quarter two, and you can see those in the 2022 and 2023 maturities.

Then coming to our outlook, as we have been reading, countries are opening the borders, but however, the coronavirus pandemic is far from being over. There are big uncertainties related to the market outlooks. Also, the market situation and operating environments may change very rapidly. Due to these reasons, the visibility for the rest of the year is still weak. And in this situation, we are not able to give a firm guidance for the full year. If we look at the second half of this year, we expect that the market recovery continues like we have seen already happening in the second quarter. We also expect to have less component constraints from our suppliers. And we also expect that Cargotec's own delivery capability improves going forward further. We also continue with the similar kind of permanent productivity improvements, which have been contributing to our quarter two results. And we continue also with some selected temporary cost measures. And these kind of cost improvements are also expected to contribute to our profitability in the coming quarters.

And then I would hand over back to Mika, please.

Mika Vehviläinen: Thank you, Mikko. Despite the difficult conditions, we have kept on executing our strategy. And as I already said, I do believe actually that the ingredients for our strategy has been enhanced by this crisis.

First of all, we are keeping on continuing driving our productivity as Mikko was saying. As a part of our asset-light operational mode, we have exited our joint venture in China, Rainbow-Cargotec, and we also exited our manufacturing assembly unit in India and moved to contract manufacturing model. This will give us further flexibility and more cost-effectiveness in our supply chain.

As a part of our productivity measures, in addition to the temporary measures, we have also reduced our permanent headcount by 429 during the first half. We have also made drastic reductions in our external workforce as a part of our asset-light operational mode benefits. The restructuring costs were significant in Q2, but obviously largest part of that was related to the exit and the write-off of the Chinese joint venture RCI.

Sustainability is a big opportunity for us. Our sector that we serve, the logistics industry is responsible for roughly 7% impact on the global CO2 carriage. We have now, as I said, already committed to be an UN-based ambition of 1.5 degrees. As a part of this science-based initiative, I have signed the Uniting Business and Governments to Recover Better statement where we urge to governments to actually direct the stimulus and incentives towards more sustainable solutions.

We do believe that we have fantastic opportunities and we keep on investing. Our R&D actually increased again by roughly 10% during the Q2, and we keep on investing specifically for electrification, automation, software, and robotics. We do believe that the sustainable product portfolio and sustainable product offering for our customers is a long-term growth opportunity for us and the proportion of our sustainable product portfolio increased again during the Q2. With that one I'd like to thank you for your attention. I think we turned into the Q&A.

Hanna-Maria Heikkinen: Thank you, Mika. Thank you, Mikko. 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 are using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. A voice prompt on the phone line will indicate when your line is open. Please state your name before posing the question. Again, press star one to ask a question. We'll pause for just a moment to allow everyone the option to signal the questions. You may also ask questions online. Thank you.

We will now take our first question. Caller, your line is open.

Felix Henriksson: Hi, it's Felix from Nordea. Question on the Kalmar sales mix and the backlog. Could you describe, on the split with being the mobile solution and automation, as well as how long will the back-walk carry, workloads going forward?

Mika Vehviläinen: The mix was more weighted towards the automation and project solutions, as obviously we had a sort of a stronger project execution in that one. However, the mix within that one was relatively good as well and resulted in a good operating margin there as well.

For the automation project side, we have a backlog that extends well into the next year. In mobile equipment we also have a very good order backlog towards the second half of the year. But obviously we would like to see the orders recovering, which it has done already throughout the quarter, supporting further the second half performance.

Felix Henriksson: OK, thank you. And then perhaps a question regarding sort of month-over-month development during Q2. In mid-July, you commented that order intake had not sort of recovered from March and April decline. So I'm wondering, was June substantially higher in terms of order intake than May and April, or how did this evolve?

Mika Vehviläinen: Yes, we saw a solid increase month on month. May was clearly better than April and June was then better than May. It was a fairly solid trend across the board.

Felix Henriksson: OK. And then, finally on the temporary cost savings measures for H2. How much do you expect to achieve these in Q4 and Q3? Are we talking about a similar 10 million euros per month run rate, or how do you see this going forward?

Mika Vehviläinen: I think we keep on monitoring the situation and depending on the overall business performance and the situation. The activity level is clearly increasing and hence for example, some of the part-time work time reductions are such that we need to evaluate whether we can keep them in force, going as well after the summer holidays. But it really depends on the market situation overall and where we stand in terms of the demand for example.

Felix Henriksson: OK. Thank you. That's all for me.

Operator: You may take our next question. Thank you.

Artem Tokarenko: This is Artem from Credit Suisse, thank you so much for taking my question. My first question is around MacGregor's goodwill impairment test. I'm just trying to understand better what made you more positive than the current market environment, considering there are not that many improvements in the lead indicators. And also, how do you assess the likelihood of MacGregor right now in the coming quarter or two compared to maybe Q1.

Mikko Puolakka: Perhaps I take that question. Thanks for the good question. The MacGregor goodwill impairment improved, like I said, and the improvement was mainly related to the changes in the weighted average cost of capital. So we have not changed the business outlook or the outlook used in the goodwill impairment testing. We have kept that on the same level what we had in the first quarter, and these improvements were related to the changes in the weighted average cost of capital interest. So, no changes in the MacGregor outlook between quarter two and a quarter one.

But like said also in the presentation, the TTS integration is progressing very well, even a bit better than what we have expected, and that is expected to contribute to the MacGregor profitability also in the coming quarters.

Artem Tokarenko: Thank you. My second question is around restructuring charges. I can see you've increased them by 15 million euros, if I'm not mistaken. I think in the previous statements related to Rainbow joint venture, you mentioned 35 million of costs associated with it. So I guess two questions. Firstly, where the incremental restructuring charges are coming from? And also secondly, out of 110 million euro expectable this year, how much of that is cash and how much of those cash charges are yet to be booked in H2?

Mikko Puolakka: Yes, this, basically the restructuring charges for the second quarter were 72 million euros. And then, we had approximately 11 million euros, kind of positive one-time item arising from the Rainbow-Cargotec

Industries accounts, Rainbow Heavy Industries listed company share treatment in our books.

So basically, approximately 40 million euros of quarter two restructuring costs are related to the Rainbow-Cargotec Industries divestment, and then, approximately 20 million euros are related to MacGregor restructuring, TTS integration being the last largest item.

We have said that approximately, our estimation for the restructuring cost is approximately 110 million euros for this year. And, that is including for the rest of the year mainly personnel-related restructuring. So those would be the kind of cash impact.

Out of the total 110 million euros, I would estimate that approximately 30 to 40% would be cash impact and roughly 60% non-cash.

Artem Tokarenko: OK, that's very clear, thank you very much. And maybe, could you elaborate a bit more on Hiab and Kalmar, specifically in terms of those monthly run rates. I think the colour have given so far is very helpful, but a lot of companies also help analysts with a May–June year-over-year run rates, just for us to understand better the dynamics for each two and the equipment run rates. So maybe you could talk a little bit in terms of a year over year where maybe the quarter ended, in terms of all the intake in Kalmar and Hiab, please.

Mika Vehviläinen: Well, if you look at the equipment run rate, we had two examples here and the one was to Hiab loader crane activity level where we actually have seen that the activity level in Europe has recovered actually relatively fast. And actually, we are somewhat above the early part of the year run rates in that one. And then slightly behind that one in the US. You can see that it's been a bumpy ride, but that's primarily related to the fact that there has been quite a number of public holidays in both markets during the sort of Q2 as well.

When I look at the Kalmar equipment, European recovery I think has been somewhat ahead of the US recovery. However, the data from last week actually showed the US catching up, but I'm a little bit still hesitant on that one because the previous week, which was the 4th of July week was still down a bit more, but there could be just a sort of bounce back off that one as well. We've seen the US data being somewhat behind the European data on that one.

Interestingly, I was comparing the Hiab data because Volvo published their data, I think yesterday or a few days ago. And actually, you could put those charts on top of each other and they would correlate extremely well. So that's a good validation of the data itself as well.

Artem Tokarenko: Just to follow up on this. I appreciate that it's very helpful market colour. Just in terms of your old intake. Obviously, the hit was maybe harder than operational traditional data you track. So I guess thinking about the actual, all the run rates, have they followed very similar patterns than as the ones we discussed? Or June and May, I feel quite, I feel double digit down year-over-year.

Mika Vehviläinen: Well, a little bit varying. The June numbers started to be much closer to the normal run rate than the previous months in that sense. So clearly the sharpest declines we saw into the early parts of April and then the recovery of that one. And then further recovery of June again in terms of the order run rates and the first two weeks of July also show a solid progress in the orders as well.

Artem Tokarenko: OK. Thank you very much for taking my questions.

Operator: Thank you. We'll take our next question.

Erkki Vesola: Hi, it's Erkki from Inderes. A couple of questions regarding your cost structure. It seems that your SGA side, sales costs, admin costs and other OPEX, they were all down by more than your sales. I mean any marketing costs, obviously travel restrictions played a role, but was there anything more structural in these savings or was it only temporary layoffs that played a role?

Mika Vehviläinen: Mikko can maybe fill in as well. But the, I mean, obviously the short-term initiatives such as the travel was very visible for example, in sales and marketing cost. But at the same time, we have continued our productivity efforts. And as I said in my presentation, we have reduced nearly 500 people from our permanent sort of head count throughout the first half as well. So there are underlying productivity efforts that we keep on executing on that one. The one thing we have discussed, for example, in the past has been the Kalmar world-class supply chain effort that was handled as a specific item in one of the investor events. And that programme is now starting to sort of deliver some of the savings as well that are starting to be visible in there. And then of course, the efforts we have done in the global business centre and consolidating our back office also is visible in there.

Mikko Puolakka: And as said during the presentation, we have been reducing in Kalmar 350 FTEs during the last 12 month's time. In MacGregor 600 FTEs since 2019 and gradually these permanent reductions become more visible in our cost structure. And like Mika said, the temporary cost savings, 10 million euros per month consisting of reduced work time, practically no traveling, reducing the external services, also reducing kind of internal development activities are all contributing in our quarter two cost base.

Erkki Vesola: So should we be expecting that most of these savings that we saw as SGAs in Q2 will come back again when your topline starts to increase again?

Mika Vehviläinen: Not necessarily all of them. I think some of those things will actually probably be moving into more sort of permanent behavioural cost levels as well. So I don't expect them to fully come back. The one that I think we are sensitive for is the employee-related salary cuts etc. as the activity levels have picked up. But they are planning to be continued at least until the end of August. And then we will review the situation again in August.

Erkki Vesola: Fair enough. Thanks so much.

Operator: Again, if you would like to ask a question, please press star one.

Hanna-Maria Heikkinen: We have actually received a couple of questions online, so maybe we can continue with those. So first of all, for MacGregor, did I understand correctly that you expect the margins to be positive in the second half?

Mika Vehviläinen: I think what we said is that we expect to reach the break-even during the Q2, sorry, during the second half.

Hanna-Maria Heikkinen: Right. Could you please talk a bit about the activity level for TTS? It seems they booked some 30 million in orders in Q2 versus 40 in Q1. Have they been impacted specifically by COVID-19?

Mika Vehviläinen: I don't think TTS has been specifically. Overall, we've been satisfied with the TTS operation. It's been profitable during the first half. And actually, when you look at what's happening in the shipping industry at the moment, more than 60% of the merchant ship orders in the first half actually came out of China. And again, very clear support from Chinese government and actually that's the market MacGregor would have struggled to have an access. And now of course, through the joint venture structures in TTS, we have an access for that specific market growth as well. And also the joint ventures within TTS have been positive throughout the first half.

Mikko Puolakka: I would say that, of course, in the beginning of the year in China, the coronavirus was impacting to some project deliveries. But as we have been progressing with the year, the APAC getting less impacted by coronavirus, the project deliveries in MacGregor overall, including TTS, have been progressing well. Most of the COVID-19 impacts are coming in services, where there are travel restrictions and limitations to access vehicles, vessels.

Hanna-Maria Heikkinen: Then a question about the cost actions. I think we discussed quite widely the temporary cost savings and actions, and those will be reviewed in August. But how do you view the need for replacing the temporary cost actions with more permanent ones?

Mika Vehviläinen: I think we are continuously looking for further productivity improvements in there, and that's under the review at this stage. So we need to look at again the market development and make the right decisions at the right time.

Hanna-Maria Heikkinen: Then going back to the order trends. We discussed that, and the comparison month-by-month. But how about from a geographical point of view, especially in Hiab?

Mika Vehviläinen: The decline in the US has been stronger than it was in Europe.

Hanna-Maria Heikkinen: How about, any comments about how the Q3 has started?

Mika Vehviläinen: I think I mentioned already that the first two weeks data on orders is showing a solid progress in the business.

Hanna-Maria Heikkinen: Then handing back over to the operator, there should be one follow-up question.

Operator: Yes. We may take our next question. Thank you.

Artem Tokarenko: Thank you very much for taking a follow up from me. That's Artem from Credit Suisse. I have two. Firstly on MacGregor, could you help us with understanding a bit better, what was organic decline in orders in

MacGregor specifically, and also, maybe could you talk a little bit about how you think about flexibility of the business maybe already early in 2021, considering that the backlog is quite long and obviously backlog is down quite considerably year-over-year?

Mika Vehviläinen: So MacGregor, the way I look at the business. First of all, the order intake without TTS was down eight percentage points. But then, and the way I look at the MacGregor overall as a business, you have, more than 200, over 250 million of high profitable services business. Now we have struggled in the equipment side of the business due to the low volumes and then some of the projects we had last year. Now we are well on the way to actually correct that situation. We are executing the TTR strategy, as Mikko was saying, slightly ahead of time, and this is all self-help. And we will bring the cost level down on that one. And obviously the aim is to make the equipment business neutral, first of all, so it will be on break-even level. And then, when the market starts to recover, and it will eventually start to recover, this is a fantastic opportunity for MacGregor because we will be having much better leverage - our cost basis different than it was previously in both companies in a combined effort, and we will be able then to really leverage that much lower cost base into the recovering market on top of the already profitable services business.

Artem Tokarenko: That's very clear. Thank you. My second question is around cash flow. It's very interesting to see some working capital build up, despite quite considerable revenue contraction. Could maybe you talk a little bit about why working capital has been such a big headwind in Q2. And how should we think about in H2 this year?

Mikko Puolakka: As said, we have been reducing accounts receivable, but in inventories we have seen increasing kind of inventory days or lower inventory turnovers, and these are driven by some constraints still in the supply chain. So we have, for example, work in progress due to some missing components. We have a very tight focus on inventories, receivables, as well as accounts payables and, of course, very much try to optimise that, keep the inventories on an optimal level. Target is to make a positive cash flow also for the second half of the year, very much depending on the market situation. But, positive cash flow is the target.

Mika Vehviläinen: As the situation is stabilising, better, more reliable logistics services, our MA use and our suppliers getting back to the more normal operating movement, we have very good opportunities to drive down the inventories in the second half as well.

Artem Tokarenko: Right. Thank you very much. And the last question is around the profit bridge for the remaining part of the year. Could you maybe help us with the major moving parts, like mix, whether there is any FX input from Hiab or anything else we need to be aware of in terms of monitoring our H2 bridge, please?

Mika Vehviläinen: I think some of the elements are fairly solid. The backlog in the project and automation covers the year, same situation in MacGregor equipment business. We have the backlog covering the year. In Hiab and Kalmar mobile solutions case, the order intake in Q3 still has an implication for the Q4 revenues and profitability. And that's the one that is sort of harder to predict at this stage. We expect the temporary cost savings to continue, if not at full extent to a certain extent, at least throughout the year. Probably to a very large extent, similar to the Q2 and Q3 and then depending on situation. It's still early to predict on the Q4 on that one. I think those would be probably the biggest elements of the bridge.

Mikko Puolakka: And I don't expect that we should have in Hiab, for example, from currencies major up or downside effects. There is a certain backlog to be delivered and even if the currencies could significantly change, those would not necessarily have a major impact for this year.

Artem Tokarenko: OK. That's very clear. Thank you very much for your very extensive answer.

Operator: We may take our next question. Thanks.

Johan Eliason: Hi, this is Johan at Kepler Cheuvreux. Congratulations to a fairly decent performance during these tough times. I have some questions.

Regarding what you mentioned about the order potential in MacGregor, seemingly coming out of China. You have some sort of agreement that you're not allowed to cooperate in the market, TTS and MacGregor. Would that have any sort of negative impact on your potential to gain any merchant orders or ship building orders in China in the recovery?

Mika Vehviläinen: I think that practically means that as long as the orders are primarily for the Chinese shipping lines supported by the Chinese government, those orders are likely to land into the TTS joint venture. But that's of course, part of our operations and then helping. And again, we don't consolidate the joint venture similar that the TTS used to do, so you will see the operating profit impact, not the order or revenue impact on that one. And by the way, there are 11 months to go on that competitive restriction. So, we expect to be able then to sort of look into integrating our operations in China more together after that one.

Johan Eliason: OK, good. And then coming back to Kalmar and the automated ports. Can you make a good case on productivity performance of the automated port versus a manually operated port during this pandemic? Both lock downs and sickness levels, etc. potentially impacting it. Do you have any sort of good data to share?

Mika Vehviläinen: I would need to look into that one, honestly. We have been probably a bit too busy. And obviously the port performance is affected by the external impacts as well, so obviously the lock downs impact the capability to deliver into and from port as well. But generally speaking, I think when you obviously have to deal with the considerably lower level of employees, your safety is completely different. You can operate remotely from different locations in some of these cases. So, I think there's a good case to be made, but honestly, I would need to look into that one a little bit then, and maybe a good point to come back to when the situation clears a little bit and then compare the performance of automated versus manual.

Johan Eliason: Looking forward to that. Those where my questions. Thank you very much.

Operator: Again, if you would like to ask a question, please signal by pressing star one on your telephone keypad. -- It appears that there are no further questions at this time. I'd like to hand the conference back to you for any additional or closing remarks. Thank you.

Hanna-Maria Heikkinen: Thank you. And thank you for active participation, and good questions and good answers. Q3 report will be published on October 22nd. Before that I hope that you have some time to enjoy the summer and please stay safe and healthy. Thank you.

Mikko Puolakka: Thank you.