

Conference Title: Cargotec Corporation, half-year financial report January–June 2022

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Aki Vesikallio: Welcome to Cargotec's second quarter results call. My name is Aki Vesikallio, I'm heading IR.

Today's results will be presented by our CEO, Mika Vehviläinen and CFO Mikko Puolakka. After the presentation, there will be a Q&A session. Cargotec's second quarter was a record breaking one. We broke new records in orders received, order book, and in incomparable operating profit. Especially Hiab and the service businesses had record performances in the quarter. On the other hand, supply chain challenges continued, and we expect them still to continue in the second half of the year.

Please pay attention in the disclaimer in the presentation as we will be making forward-looking statements.

So, first Mika will go through second quarter highlights and the market development, and also the group level financials. Then Mikko Puolakka will take over and go through the business areas and our financials and outlook. With that, over to you, Mika.

Mika Vehviläinen: Thank you, Aki, and good afternoon from my behalf as well. Thank you for joining the Cargotec Q2 call. The second quarter 2022 was a strong quarter for Cargotec. The demand in all of our business areas was strong, resulting to record order intake. Despite the supply chain challenges, our revenue both in Kalmar as well as in Hiab developed favourably, and as a result of our capabilities to defend the margin of those businesses, that resulted in a record operating profit margin as well.

Overall, when we look at the market development, we can see now the stabilisation in the equipment running hours. Even though some of the numbers you see here on the slide are negative, one needs to remember that these are sequential developments. If I compare the

running hours here to the same running hours during the Q2 last year, those running hours are roughly stable or somewhat up. Very clearly, we see - we saw exceptionally high running hours for some quarters, and we now see the stabilisation of that one further capacity is coming to the customer operations as well.

Overall, on the market development, we see slower growth, however, at the moment. First of all, when you look at the container traffic development, Q1 actually turned out to be a negative quarter in terms of the container development or container traffic growth. That was really caused by the disturbances, first of all, from the war in Ukraine, and secondly from the COVID issues in China.

For the rest of the year, we expect container traffic to grow again with a somewhat lower rate, as well as in 2023, one is expecting still a further growth in the container traffic. In construction, both in the US and Europe, we have seen the growth slowing down, but at a very high level of activity. At the moment, actually, the growth is really primarily limited by the supply factors such as the labour and material shortages.

The picture in the shipping site is very good. Last year, the ship order number actually proved to be higher than expected, nearly at ,2000 ships, and now then - that starts to be visible in the metric or order intake during Q2. We also see a more favourable development now starting to take place in the offshore side, both in terms of renewables, which has been growing and very strong market for a while, as well as oil and gas, of course, primarily driven by the energy situation now, especially in Europe.

As said, orders were at a very high level, and across all three businesses. This very good order development resulted into the record high order book, over €3.5 billion.

As said, the excellent development despite the supply chain challenges facing Hiab and Kalmar resulted in better revenue. That revenue, with combination of our capability to defend

our margins through sourcing actions and pricing actions resulted in good profitability in both of those businesses.

MacGregor is struggling with a number of issues, one caused by the very low revenue number, only €127 million in Q2, and Mikko will go through the MacGregor situation a bit more in detail in a moment.

Our services business goes from strength to strength. Another quarter of double-digit growth, 13% combined. In MacGregor, we suffer from certain logistic issues related to some of the arrangements we are doing in our warehousing, and that's also impacting obviously MacGregor profitability as well.

Kalmar, excellent performance with 22% growth. In Hiab, the services growth was good, but that was really limited by the availability of truck chassis that actually limits our revenue growth in installation services, for example.

During the Q1, Cargotec announced a renewed strategy. Our strategic targets remain the same. We will drive for profitable growth and sustainability. As part of the renewed strategy, we are really building from the very strength we are having there, leading, very strong market positions, leading brands, strong services operations with double digit growth, investments in the leading technology, and equipment driving for robotization, automation, electrification, and digitalization. We are enabling our customers to go for more sustainable and safer operations.

As part of the renewed strategy announcement, we also described some of the next steps we will be taking. We are making good progress on those ones. We have now started the strategic evaluation of MacGregor, and have appointed advisors for that one. We already announced recently the agreement that enables us to plan for the heavy exit - heavy cranes exit in Kalmar.

In terms of our capital allocation going forward, we will be driving for further development in

our M&A pipeline. We are continuing to invest in our R&D in robotics, automation, electrification, digitalisation. Our R&D investments actually grew another 13% during the Q2, and we are maintaining a strong focus on our mission climate actions. Our eco portfolio sales grew by 25% in Q2. Actually on the comparable basis, if you take away the Navis numbers from the previous year, our eco portfolio sales were growing by 45% during the Q2. That very clearly shows a very strong market demand in these type of solutions from our customers at this stage.

As part of that exit plan we are now having on that one, there are a number of issues that we are working on at the moment. We have announced a combination of the two operational units in Kalmar, the automation business and mobile equipment into one operational unit into the so-called new Kalmar that will be headed by Michel Van Roozendaal.

The heavy crane exit agreement has the following points. First of all, the business will be actually taken over by RCI's Rainbow Heavy, which is a long time partner for Cargotec and Kalmar]. The crane automation as well as the services business will remain in Kalmar, and this is a highly attractive business for us.

We also will be responsible for executing the remaining projects. We have about 140 million of backlog in the heavy crane side, and we want to control the execution and smooth performance for our customers.

A number of assets and employees will transfer into the Rainbow as part of this deal. We estimate that this deal will lead to the restructuring charges of roughly 25 million in Q2, and a further €11 million during the Q3.

As part of the strategy, our investment in the market leading technology and services are winning ground at the moment. Here are some of the proof points.

We announced during the Q2 further investments in our production plant in Kansas in the USA, enabling us to address the growing demand for electric vehicles. As part of our sustainable portfolio in automation, we announced a very large agreement with APMT, enabling us to drive further automation, for example, in Los Angeles port with automated straddle carriers.

We keep on investing into the further expansion of our eco portfolio. One example of that are the new heavy cranes that are enabling more energy saving performance this year in the operations in Effer. And we are expanding our lifecycle services, and more and more we are combining the new technology offering together with the service offering. A good example of that one is the recent deal in Sweden, where we are combining the delivery of new electric forklift trucks with total care services packages as well. And again, we see a strong demand both from both services as well as technology point of view for these types of solutions.

Sorry, I had a little technical issue. With that, then I'd like to hand over to Mikko Puolakka for the business areas.

Mikko Puolakka: Thank you, Mika, and good afternoon, ladies and gentlemen, also from my side.

Let's start with Kalmar, where the core businesses, meaning smaller equipment, straddle carriers, as well as services performed very well in quarter two. Kalmar orders were down by 5%, but if we exclude Navis, which was divested in quarter three 2021, Kalmar orders would actually grow 1% on a comparable basis.

In June, we got two very large straddle carrier orders, one in the US, and one in Morocco, in total, 85 units.

We have had a very solid demand from the smaller mobile equipment customer side. But however, due to the component availability, especially in our terminal tractor business, that has led to over 300 days lead times. And due to this fact, we have temporarily closed our

order book during the second quarter.

Despite the continuing component shortage, we are able to deliver actually significant volumes in equipment and in services in quarter two.

If we look at the core Kalmar business, meaning the smaller mobile equipment, also the straddle business as well as all related services, that business grew in sales by 24% in quarter two. However, like Mika said, we do not expect any easing in the supply situation during the second half of this year.

Kalmar's profitability improved also significantly. This was primarily driven by the sales growth during quarter two.

We booked also below the comparable operating profit in Kalmar, €25 million restructuring costs related to the heavy cranes exit, and we estimate the book further €11 million in quarter three. And these are mainly costs which are related to the execution of the remaining order book for the business.

Then when looking at Hiab - excellent performance by all metrics. All time high orders. We had very good customer activity, both in Europe as well as in North America, especially with larger clients.

Our orders grew, especially in the truck mounted forklift business, as well as in demountables, but also, the other business lines in Hiab were performing very nicely from the order intake point of view.

Also like in Kalmar, Hiab has been able to deliver good volumes in quarter two, despite the challenges or bottlenecks in the component availability, as well as the truck chassis availability.

And record high comparable operating profit, 15.6% for the quarter, very much driven by higher volumes, but also Hiab's organisation has done excellent work in the component sourcing and procurement area, as well as in the price management, keeping the sales margin very stable year-on-year.

When looking a bit forward in the second half of this year, it's also good to remember the seasonal patterns in Hiab business. If we look, for example, years, 2017, 2018, 2019, Hiab's, quarter three has been typically 10% to 15% lower compared to quarter two.

Then in MacGregor - finally, a significant uptick in the order intake, very much driven by the merchant vessel contracting. This is a result of the order intake or the vessel contracting pickup in 2021.

Merchant vessel orders were driving the order intake in MacGregor. Roughly 80% of MacGregor's order intake was related to merchant vessels. Also, service orders grew very nicely, supported by the high vessel utilisation.

MacGregor's sales were unfortunately impacted and down, due to the offshore - fairly low offshore orders in the past few quarters. The merchant as well as the service business has been stable in quarter two.

MacGregor profitability for quarter two was unsatisfactory. This is driven by a few factors. As mentioned earlier, low offshore sales. We have done quite significant investments in offshore wind-related product development, and we unfortunately continue to have negative result in a very limited number of offshore wind projects. Also, like Mika indicated, we have had some delays in service spare parts deliveries temporarily in quarter two.

MacGregor's service is a highly profitable business, and also the merchant vessel results have been positive during this year, despite fairly low volumes. When we exclude in MacGregor first half results the offshore wind projects, MacGregor comparable operating

profit would be 2.1%, while now the total reported MacGregor first half results were -2.7%.

A couple of financial highlights from the first half and the second quarter.

We have a record high order book, almost €3.6 billion, and this is of course a very good basis for our deliveries for the several quarters ahead. Of course, very dependent still on the component availability, as well as transportation availability.

We had a significant improvement in the first half comparable operating profit, up by 24%, very much driven by the volumes, but also effective sourcing and price management.

We booked in total €38 million items impacting comparability in the second quarter. The largest single item was related to the previously mentioned Kalmar heavy cranes exit, €25 million.

YTD June net income was €62 million, up by 75%., very much driven by the volume growth. Our effective tax rate for the first half was 19%, very low compared to the historical levels, as we have been booking some tax income from an old tax dispute, for which we have received a positive decision.

And then, when we look, the core business is higher, and the future Kalmar, those were growing 26% in the second quarter, and having a 12% comparable operating profit margin.

Looking at our cash flow, that improved slightly from the comparison period. We actually generated €80 million EBITDA during quarter two, but then we continued to tie up some working capital, in total €42 million during quarter two, mainly in inventories, work in progress, goods in transit, and also inventories supporting the service growth.

Our balance sheet is very strong. Gearing has remained stable. Our net debt to EBITDA ratio has been 1.2, and our balance sheet, or financing structure is very favourable; no big

debt repayments coming up in the coming years.

And then we reiterate our guidance for 2022. We estimate the comparable operating profit to increase from last year's €232 million. Good to remember, like said earlier - quarter three will be seasonally somewhat lower than quarter two, especially in Hiab. And then, we are having - expecting to have a weaker mix in quarter three compared to quarter two.

Aki Vesikallio: Thank you, Mikko, and thank you, Mika. And we have also sent out Save the date invitation to our Capital Markets Day, which will be held 15th of November in Helsinki, followed by a site visit in Raisio, Hiab's assembly unit, also here in Finland. So, pencil in those dates in your calendar. So, with that operator, we are ready for Q&A.

Operator: Thank you. If you would like to ask a question, please signal by pressing *1 on your telephone keypad. We will now take our first question. Please say your name before asking your question. Thank you.

Johan Eliason: Hi. This is Johan Eliason from Kepler Cheuvreux. Thank you for taking my questions, I have a few. Now, starting maybe with the most important issue here, the MacGregor orders €300 million order intake. I can't say that has happened since the fourth quarter of 2014. You did mention a couple of big Roro orders in the quarter that I know is quite big for you typically. Is that what drove it, or is it this big container ship yard order intake that we saw last year that is now finally turning into orders, implying that we should sort of expect the order intake to be around this level for another couple of quarters for MacGregor? That's my first question.

Mika Vehviläinen: Okay Johan, if I take that one. Thanks for the question. Yeah, the MacGregor outlook is actually very bright at the moment. So, the order intake is actually a combination of what you just described. We've seen very good development in the Roro car ferry market, but also into container shipping as well. And we had a number of orders in both vessel categories. As Mikko was saying, about 80% of the order intake was in merchant marine.

This is the core business, the business, the traditional strength of MacGregor is that, and as such, the margin development on those orders and order book is very favourable for us. I think we will see that development continue favourably, there's still a lot of vessels. And it's a combination of a number of vessels, but also what you will see now is that when the shipyards' capacity started to be full, what typically happens, and we see it happening this time as well, is that the scope of our orders will be expanding. So, rather than doing just to design a key component, we are also now starting to do full deliveries, including a larger scope as well, and that's also expanding the order book as well.

Johan Eliason: Good. And I think you mentioned offshore, and we heard Alfa Laval this morning talking about offshore capex being on the up going forward. What potential do you see in the offshore segment for you, not only in the wind, I think it's an early phase, but in the traditional offshore vessels that used to be quite a big part of the business some eight years ago or so.

Mika Vehviläinen: That's right. So, we still see a very favourable development on the wind sector obviously at the moment, and that market remains very strong. But we have seen now a recovery of the oil and gas market as well. And if you look at the Clarkson estimate now, about 30% - 31% uptake predicted on that one. Some of that will be sort of bagging more into traditional oil and gas and production and exploration type of ships, which is a good market for us as well.

Johan Eliason: Good. That should bode well for your divestment process of MacGregor, so you don't miss the opportunity similar to what happened in [20]12-13. Can you say anything - you mentioned you have hired bankers, are you talking to any potential buyers for the MacGregor division already?

Mika Vehviläinen: It's in early phases at the moment. We have seen interest increase towards MacGregor, but we have now hired advisors and will keep you updated when the plans will progress further.

Johan Eliason: Okay, good. Then a question on Hiab. It seems like order intake was really good in the quarter. Again, I was sort of expecting it to slow down. But is this also an issue about taking market share? I guess your competitor with sourcing in Russia might be a little bit more impacted by the geopolitical situation and the war in Ukraine and Russia. Any comment on that?

Mika Vehviläinen: I think it's primarily driven by the fact that especially the large fleet customers in US place a number of large orders during the quarter as well on that one. We also see a positive development in the military side of the business, where we have seen acceleration of the order intake from some of the deals that we have announced a while ago. And that's really driving the demand primarily. But as Mikko was saying, it's across the different business line a bit, across the different markets. We see overall still a very, very favourable development.

Johan Eliason: Okay. And then on this eco share, which I think is interesting, the number you presented, was it 25% or so of your total order. I guess most of this is in Kalmar, and to some extent, Hiab. So, how would it look like in the, the share being in your sort of core business, remaining after the potential divestment of the MacGregor division and this winding down of the heavy cranes. Are we talking about above 30% or 40%, or how should I think about it?

Mika Vehviläinen: Most of these eco portfolio products are actually within the core businesses themselves, so that remains strong. It really has been - I mean, we clearly have seen the customer demand increasing. And as I said, we had a 25% increase, and if you take the Navis numbers out from last year, it was 45% increase in sales of the eco portfolio. And it's also, in terms of our total revenue, it was, if I remember correctly, like 23% of our revenues in Q2, and very good order development on that side as well.

Mikko Puolakka: In Kalmar forklift trucks, nearly 40% of the order intake was for fully electric forklifts, during quarter two.

Johan Eliason: Yeah. That sounds good for your future profile as well. And then finally, just a small detail here. You announced this large capex for the Ottawa plant. Where will your full year capex number end up at around?

Mikko Puolakka: Last year, our capex number was approximately €65 million. We expect to be somewhat higher on the capex this year. Not all this Ottawa-related capex numbers will - or investment will land on this year yet. So, it will be 2022, 2023. Slightly higher than last year's €65 million.

Speaker: Okay. Thank you very much.

Operator: We will now take our next question.

Massimiliano Severi: Hi, it's Massimiliano from Credit Suisse. I had just a couple of questions. The first one would be maybe on the Kalmar business. If you could provide some more colour on the heavy crane side versus the core side for this quarter, in terms of maybe how many sales were actually related to the heavy cranes business, and the margin profile that Kalmar core would have, excluding the heavy crane side.

Mikko Puolakka: The Kalmar, out of the total Kalmar revenues, the heavy cranes were representing approximately €10 million in quarter two, and roughly €40 million in the first half of 2022.

Mika Vehviläinen: A word of warning on that one. As Mikko indicated earlier, we actually expect that proportion of the deliveries to be somewhat higher in Q3. That they will then have a diluting impact on the margins.

Massimiliano Severi: Okay, yeah, it makes sense. And in terms of component shortages and the delayed sales, because in the past quarters, you provided very useful quantification of how

much of your sales were actually delayed because of component shortages and supply chain issues. If you could comment on where delayed sales were going in Q2, and maybe the outlook for H2. If you see it getting better or worse, given China and US, commented that there would have been a lag between the lockdowns in China and component availability.

Mika Vehviläinen: If I start with China, first of all, I think the - right now there is catching up to be done. I think there are roughly two weeks delayed in terms of shipments out of Shanghai at the moment, but one needs to remember that there is a delayed impact. So, most of the issues that we actually saw happening during the COVID/heavy COVID restrictions are only starting to be visible for us during Q3, and a very large part of that is not the direct -we don't have that many components coming directly from China, but I think our - we can see our suppliers actually being impacted by that one. So, that still will be very much visible during the Q3.

Overall, there may be - has been some easing of the list of the critical suppliers have somewhat reduced, but we still, week from week, and it keeps one - you have one component then the next one becomes a bottleneck and so forth.

Overall, the missed revenues is probably in the same ballpark as we had in Q1. And still today, and I think for the remaining part of the year, we are not capacity constrained. We could deliver more, but we are clearly supply constrained and that situation, we expect, to be continuing in the second half as well.

Massimiliano Severi: Okay. Perfect. So, in the second half, due to this China situation, would you expect - I know that the visibility is limited, but would you expect it to be stable, or perhaps it could worsen again before actually getting better towards the end of the year?

Mika Vehviläinen: The visibility and predictability of that one is really, really hard at the moment, because it keeps on changing such a quick variant. And then of course, you have COVID issues. I think COVID is still pretty rampant, and that's impacting our sort of absentee, but

very much social supplies as well. So, at this stage, as I said, generally I think there is a trend of starting to see easing off, but that situation changes from one week to another. So, the visibility is still there. There is certainly opportunities to do quite well on the second half as well, but the situation is fragile.

Massimiliano Severi: Very clear. Thank you very much.

Operator: We will now take our next question.

Magnus Kruber: Hi, Mika and Mikko. Magnus from UBS, a couple of questions from me. So, first, order intake again very strong. Could you comment a bit on how far into 2023 your backlog extend, and if you have any cancellation charges that a customer would incur if they decide to not take deliveries?

Mika Vehviläinen: Yeah. We have - let me start from the end of the question. We have introduced cancellation charges during this year for us. Overall, we have seen very little, if at all, cancellations at the moment. I think one of the, maybe the safeguards we have at this stage with the very high inflationary situation is that I think the customer's decision, potential to cancel is more unlikely than typically because of simply, if you now cancel and then you reorder, that equipment is likely to cost you considerably more at the moment.

So, that's one. And again, underlying operations with our customers remain at a very high level at the moment, and all of the main categories in terms of construction and container movements and then logistics overall, the activity level is still very, very high on that one.

Mikko Puolakka: On your question concerning the backlog coverage or extension, I would say that in Kalmar's case or Kalmar Mobile Equipment case, small and mobile equipment, we are talking about four quarters with the current component availability situation. And then in Hiab's case, the current backlog basically covers close to three quarters of sales, again, with the current component availability situation.

Mika Vehviläinen: To simplify, if you place an order on those categories of equipment, you are more likely to have it in the second half of 2023 rather than the first half.

Magnus Kruber: Perfect. Thanks. That's clear. And with respect to the cancellation charge, is that a charge proportion of the value of the order, or how does that work?

Mika Vehviläinen: Of course, always a question of negotiation. Generally, it's a fee, or charge against the value of the order.

Magnus Kruber: Perfect. Thanks. And then secondly, how much did the currency contribute to revenue and order growth? And was it different across Kalmar and Hiab in the quarter?

Mikko Puolakka: All in all, during quarter two, the currencies had approximately 4% unit impact in order intake, as well as in revenues. And this is pretty much similar for Kalmar and for Hiab.

Mika Vehviläinen: If you look at Hiab performance, I think what makes it particularly excellent is the fact that, of course, as we are, we have a US dollar exposure in Hiab, unlike, we don't have that so much in Kalmar is that we are hedging that one. So, actually, the current dollar strength is not coming through in the Hiab numbers at this stage because those deals that we delivered during Q2 had been hedged sort of mostly during the [20]21, actually.

Magnus Kruber: Okay. Got it. That's clear. And then could you comment a bit on the price cost situation across Hiab and Kalmar? I mean, in Q1, you suggested Kalmar was lagging a bit there, and given what you've seen in Q2, it doesn't seem to be a major issue. But how do you see - how did that turn out in Q2, and what do you expect for the second half?

Mika Vehviläinen: I would say overall in Hiab, we've done well in defending our margin. It's really a combination of sourcing activities and proactive pricing, meeting the market demands. And I would say, in most of the product areas in Hiab, the margin has been roughly at a stable level.

In Kalmar, we were a little bit slower maybe to introduce some of the pricing. But then we have introduced, last year, successfully a number of surcharges for customers, and they started to have a positive impact already in Q2, and that has also helped the situation in Kalmar.

Magnus Kruber: Excellent. Thank you. And sorry, a final one and follow up there. Could you help us a bit quantify the EBITDA margins on Kalmar mobile in the quarter, and what was core margins for the group in the first quarter?

Mikko Puolakka: Basically, what I showed in one of the slides for the second quarter, the core business is meaning Hiab as well as the Kalmar - new Kalmar that delivered 12% comparable operating profit margin. And for the year- to-date, the June sort of order for the first half, it has been slightly up over 11%.

Magnus Kruber: Perfect. Thank you so much.

Mika Vehviläinen: Thank you.

Operator: We will now take our next question.

Erkki Vesola: Hi gentlemen, it's Erkki from Inderes, a couple of questions from me as well. First, regarding Kalmar, the demand drivers in the second half look a little bit questionable as content traffic growth expectations have been cut all the time. I mean, what are the customers playing now, and how is your own quotations number developing?

Mika Vehviläinen: Yeah. On that one, so our sort of sales pipeline actually has remained pretty stable now in the first half of this year, and still very strong. The Q2, we landed as we announced two fairly large and - or large straddle carrier, contracts, APMT, especially the Los Angeles one being fairly significant. At the same time, the demand in the mobile equipment remained robust. But, as Mikko was saying, we closed actually the order book for most of the

Q2 for terminal tractors because of the long lead times. And that obviously then reduced the order number compared to last year on that product sector.

Erkki Vesola: Okay, thanks. That was actually what I was going to ask next. What was the impact of this closure of your order book, and how long will it last?

Mikko Puolakka: We have not quantified the impact, but the closure of the order book was valid, I would say, during the whole of May and good part of June. So, majority of the second quarter. And it had a significant - volume wise a significant impact, which was partially compensated by this - to great extent compensated by this large straddle orders which we got during quarter two.

Erkki Vesola: But do you see that there were - these orders would come back later in Q3 or - and so forth?

Mika Vehviläinen: Yeah. The demand is there. The demand continues to be strong on that, and the activity levels remain high at the moment, and so we have now opened order book again.

Erkki Vesola: Okay. Thank you. And then finally, a housekeeping order. Mikko, what is going to be the group tax rate in the second half of this year?

Mikko Puolakka: That depends, of course, our country mix to a great extent, but if you use roughly 30% as a proxy. As said, year to date June was 19%, but it was impacted by this one-off tax decision. But 30% would be a good proxy for this year.

Erkki Vesola: For a full year or for the second half?

Mikko Puolakka: For a full year.

Erkki Vesola: Okay. Thank you so much.

Operator: We will now take our next question.

Tomi Railo: Yes. Hi, it's Tomi from DNB. Still wondering if you were able to quantify the delay impact in terms of sales in the second quarter?

Mikko Puolakka: It's a bit difficult to quantify the magnitude, but as Mika said, definitely we could have delivered some tens of millions of more revenues during the second quarter if we would have had the needed components. We have enough assembly capacity, both factory capacity and personnel, but we are still significantly limited by the certain component availability.

Tomi Railo: And is this level expected to continue also, in a way, some tens of millions in the next couple of quarters, so there's no easing, there is no improvement?

Mikko Puolakka: : Not in sight.

Mika Vehviläinen: Let's put it that way - I wouldn't count on that. There is a somewhat underlying trend of the number of suppliers, the list of the critical component suppliers is reducing. But new challenges are popping up, and it's so unpredictable still at the moment that I certainly wouldn't count on a clear improvement during the second half.

Tomi Railo: Then, are you able to quantify the cost overruns, relating to the wind offshore project in the second quarter?

Mikko Puolakka: We have approximately €10 million in the first half of this year. Like said, if we exclude these offshore wind projects during the first half of this year MacGregor results, the rest of the MacGregor profitability would be 2.1%. And the full MacGregor first half results, as we have reported, are -4.7%. So, it's a sizable number, very much related to the

first-of-its-kind technology on the offshore wind business where we see opportunities going forward.

Tomi Railo: You booked €27 million last year. Is it possible that the number by the end of this year would be similar?

Mikko Puolakka: We tried to do a prudent assessment of those offshore wind projects end of last year. It's good to remember that when we booked these - when we have booked these costs in the past, that takes the project profitability to a very low level, and it remains there until - it remains on a low level until we close the project. So, that is why we have this drag during this year in the offshore wind projects. We expect that the service business to deliver a strong year, and also the merchant now gradually, thanks to the improving order intake will also improve profitability.

Mika Vehviläinen: It's good to know, of course, when you look at MacGregor, I mean, the revenue was exceptionally low with only €127 million. And the issue combined with the cost overruns, with the fact that the offshore revenue remained very, very small, of course, had an impact there.

Tomi Railo: And then maybe on the pricing, are you able to comment on the pricing component in the order and sales growth?

Mika Vehviläinen: Yeah. I would say that the - if - on a year on year basis, we are probably somewhere between 15% to 20% higher depending on the type of equipment in there. Overall, when I look at that one, we've been able to defend our margins to quite a large extent by pricing increase intent, and additional surcharges in Kalmar side as well.

Tomi Railo: And then, I think you wrote that you are monitoring the pricing environment after completing price increases. Have you planned price increases also for the second half or -

Mika Vehviläinen: Yeah. We actually did a pricing increase round in a number of product categories during July.

Tomi Railo: Good. Final question, if you may. The sales mix. Is there anything else you mentioned, the heavy cranes equipment share may be bigger in the third quarter. Is there something else, since you raised this issue for the third quarter?

Mikko Puolakka: The Kalmar heavy cranes volumes and then also Macgregor volumes growing in the second half compared to the first half. And then taking into account what I said also earlier, that typically, higher quarter three revenues are 10% to 15% lower than in quarter two due to the less delivery days in the northern hemisphere during the summer break time, customers summer break times.

Tomi Railo: Perfect. Thank you very much.

Mika Vehviläinen: Thank you.

Operator: We will now take our next question.

Tom Skogman: Yes, hi. This is Tom from Carnegie. I wonder about these heavy crane project losses that you seem to book as the EO items. I mean, when will you move over to reporting the heavy cranes as a discontinued business instead?

Mikko Puolakka: Yeah. The heavy cranes order book, like Mika said, is some €125 - €130 million, and it takes approximately two years to deliver the majority of this order book. We have booked now, based on the prudent risk assessment, this €25 million for quarter two, some exit-related bookings still in quarter three, but we expect that we should cover from these bookings basically the project risks until we have delivered the order book.

We have had quite a significant one-off items in this year, also in the past years. And these are mainly related to Kalmar, especially to this heavy cranes business, as well as MacGregor restructuring. And now, with the new refocused strategy of Cargotec, we expect that we have reshuffled the business portfolio so that we do not need to have these one-off items like we have had in the past.

Tom Skogman: So, this means that the business will now run at the zero EBIT margin the next two years until all the products have been delivered. Is that right?

Mikko Puolakka: Basically, the heavy cranes order book deliveries are having a single digit profitability margin. If we can execute those projects better than what we have done based on the current risk assessment, then of course, we do not necessarily need to use all those risk provisions.

Tom Skogman: Okay. And then the dollar hedging in Hiab. We know, of course, that the dollar has strengthened a lot. So, when will that impact the margin positively?

Mikko Puolakka: We start to see it - due to the long lead times, we do not necessarily see any visible impact during this year. So, we start to see that more starting from the beginning of next year.

Tom Skogman: Okay. Thanks. And then the new strategy, to review the operational model to support a refocused group. Can you just help us to understand, you know, what are we talking about? Is it possible to split Cargotec into two companies, into Hiab and Kalmar, or is it just to take out head office costs and move that into the business area that we are talking about?

Mika Vehviläinen: If you think about, actually now with the combining, first of all, Kalmar into the one business area, and then potential possible exit for MacGregor, we would actually end up with only two business areas now in Cargotec, and obviously, the requirements in terms of the headquarter activities and support for that one. So, effectively we are looking at what

activities should be retained in the group cost, and what activities would be better actually shared directly in the businesses themselves, and that review is going on.

Tom Skogman: Okay. And then about this automation business. So, is the plan to sell now automation solutions using whatever, Konecranes, ZPMT or Rainbow cranes. So, is that what we should understand if you plan to keep automation on?

Mika Vehviläinen: I don't think so. I think it's primarily focused in the capabilities we had in automation. First of all, of course, still serve the straddle business that is highly successful and having good brokers(?) for us. And then also using the same automation software capabilities we have built for other parts of our businesses, in Kalmar mobile equipment, and potentially even in Hiab.

Tom Skogman: So, you are walking out basically of automating RTG and RMG cranes, etcetera. That's not - the plan is not to do that in the future.

Mika Vehviläinen: That's not in our focus anymore.

Tom Skogman: But isn't like the facilities and sites that you have there. I mean, they're a big opportunity to cut back on fixed costs a lot then. They are built up - I don't know how many people you have working for and what the fixed cost rating is in automation.

Mika Vehviläinen: I think it's a highly skilled team that we can certainly leverage in other businesses. And part of the current deployment of the automation technology has been actually done in combination with some external resources and partners. And I would assume that that part of the business would be ramped down.

Tom Skogman: And then, this very large order growth in Kalmar, many many quarters there. It sounds like - I mean, the market cannot grow like this. So, who is losing market share so that

the situation, like US customers want to buy from Western suppliers, or what's going on behind the scenes? I don't know as outsider.

Mika Vehviläinen: Sorry Tom, was it about Kalmar, or?

Tom Skogman: Yeah. I mean, the Kalmar market cannot grow like this what you have showed the last.

Mika Vehviläinen: Let's remember first that we have had a growth spurt in the container traffic. And as we know, these investment decisions always come delayed. So, we've seen some of that impact happening there, and it's good to remember now that with the refocused strategy, actually, the primary customer group for Kalmar is not any more the large container ports, although we still serve them with straddle solutions, but it's primarily the sort of inland terminals, the logistics yards, etcetera. And that, as we know, has been a business that has a sort of clear underlying growth trend, driven by e-commerce and change in the logistics, etcetera. And we assume and expect that to continue to grow going forward as well.

Tom Skogman: Therefore, the new Kalmar, how large an area is port terminal, and how large an area is an inland terminal logistics?

Mika Vehviläinen: I would say that roughly speaking of this, of course, there is the larger terminal, container terminal that will probably represent not more than maybe 20% to 30% of the revenues. The rest is actually smaller inland terminals, logistics operators, etcetera.

Tom: Okay. Thank you.

Operator: We will now take our next question.

Massimiliano Severi: Hi. Just a couple of follow ups from me. It's Massimiliano from Credit Suisse. The first one would be on MacGregor. And given that all the shipyards are - not only shipyards, but the shipyard capacity is almost full. When do you expect this increase in

orders to flow into revenues, and what are your capabilities to scale up very quickly? I know that MacGregor is very outsourced, so when should we expect this large or this big increase in orders to flow through to revenues?

Mika Vehviläinen: I think typically, we have seen about 12 month cycles from the ship order to our order cycle, another 12 months from the order into the revenues as well. And I think the - primarily looking at the good order intake now during Q2, we expect to continue to be having a revenue impact from 2024 onwards and on that one. Some of those orders that are fairly sizeable can be a series of ships. For example, one of them was a series of 12 ships. So, obviously, that revenue will be actually deployed over the multiple years when that ships are built there as well. But primarily, the revenue impact should be visible from 2024 onwards.

In terms of the scaling, actually, as you pointed out yourself, the MacGregor is asset light operation mode. So, we are relying on the subcontractors which are usually located close to the shipyards in China, Korea, Japan, and other locations. And that the supply chain is actually very much intact, and I think they should be able to ramp up, the visibility at the moment on that one is quite positive.

Massimiliano Severi: Okay, clear. Thank you very much. And my second one would be on Hiab and Kalmar prices, because I remember that in July 2021, you put up prices significantly. And if I look at Q2 revenues, these price increases have already flowed through revenues completely, or should we expect something more from that July 2021 increase in Q3?

Mika Vehviläinen: If you think roughly and simplify almost to now, as Mikko was saying, three to four quarter cycles, and because of the lead times. So, the Q1 pricing increases, they were relatively modest. Some of that has floated into the Q2 this year. The Q2 pricing increase is - I think we were starting to be a little bit more aggressive. That had probably a small impact on Q2, but you would actually primarily see the first half pricing impacts from 2021 to be visible in our second half revenues now this year.

Mikko Puolakka: If we think that Hiab and then Kalmar core businesses have been growing roughly 26% year on year, roughly more than two thirds of that is coming still from the volume growth, and one third from the price impact.

Massimiliano Severi: Perfect. Very clear. Thank you very much.

Operator: We will take now our next question.

Johan Eliason: Yes. Hi again, it's Johan, just a bit of a follow up here. On these heavy cranes, you've given the IPs to your Chinese partner Rainbow Heavy. Didn't you get anything paid for that, or is it just to make sure that you keep some service revenues in the future? And do you still own the shares in Rainbow Heavy and what's the plan with those? Thanks.

Mika Vehviläinen: Mikko, maybe you take the Rainbow Heavy shares.

Mikko Puolakka: Yeah. We still own shares in Rainbow Heavy, if I remember correctly, the ownership is roughly 4%. Originally, it was around 7%. We have divested some of the shares. We are not planning to be a long term shareholder there. So, the ownership has been gradually declining.

Mika Vehviläinen: Coming back to your question. So we looked at multiple options here, just simply ramping down the business, selling the whole business to an outside partner - there was some interest for that one - or then this option. And in our point of view, the business case on this option was the most attractive, and we did receive a payment for the IPR, and the assets we are moving, it was in a sort of single million single million. But what made this primarily attractive was the fact that we are able to retain the services business related to this type of equipment in-house, retained automation capabilities, and then having the control of the closing of the open projects.

Johan Eliason: Okay. Excellent. And these charges you announced in relation to the development is net of the potential purchase price you received?

Mikko Puolakka: Yes.

Speaker: Yeah. Okay. That's all for me. Thank you very much.

Mikko Puolakka: Thank you Johan.

Operator: We will now take our last question.

Magnus Kruber: Hi, it's Magnus again, a couple of follow ups. First, you talked about pricing hikes about 15% to 20%, and then you had 4% FX on top of that. Does that mean that your volume growth in the quarter was significantly negative, or am I missing something?

Mika Vehviläinen: Mikko, would you take this one.

Mikko Puolakka: Are you referring now to orders or sales?

Magnus Kruber: Now it was sales, but - yeah.

Mikko Puolakka: We got roughly 4% tailwind in sales as a total Cargotec, taking into account the strengthening, for example, of the US dollar during quarter two. And then, as said yes, we have been increasing prices, and they're kind of - Cargotec core business, the price increase impact has been roughly one third of the total quarter two sales growth.

Mika Vehviläinen: So, two thirds of volume. When I talked about pricing increases, I was talking about the order-in price levels now, in comparison to last year.

Magnus Kruber: Okay. So, we still have some conversion on the sales, of course, in those prices as well. So, how - what should we expect on pricing in the second half of the year? How much growth contribution should we get from pricing in the second half?

Mika Vehviläinen: Obviously, as I said, the main pricing increase is fair and really around the Q2 last year and the summer last year. And then, with the three to four quarters delivery time, that pricing should be more visible in the second half of the year.

Magnus Kruber: Good. Thank you. And then finally, to Tom's point on the FX impact, I think a couple of years ago, you had a quite significant tailwind from FX in Hiab. But I mean, do you have any assessment of how much that could help margins through the course of next year?

Mikko Puolakka: That's correct. We have said that typically, kind of a \$0.01 change would contribute to a couple of million euros to Hiab. If it's strengthening US dollar, that would have a positive impact. Weakening US dollar, a negative impact. But like Mika said earlier, the hedge is what we have been doing now for the deliveries is what we are now delivering. Those have been done already in 2021, and due to the long lead-time, so, we are currently not seeing yet the impacts from the stronger US dollar. That will become more visible in the beginning part of next year.

Magnus Kruber: Okay. Thanks so much.

Mika Vehviläinen: Thank you.

Aki Vesikallio: Okay. Thank you for great questions and great answers, Mikko and Mika. Our third quarter results will be published on 26th of October, so stay tuned.