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Aki Vesikallio: Welcome to Cargotec's Q2 2021 conference call. My name is Aki Vesikallio, I'm from Cargotec's Investor Relations. The results will be presented today by our CEO, Mika Vehviläinen, and CFO, Mikko Puolakka. After the presentation, there will be a Q&A session. Please pay attention to the disclaimer in this presentation. And, remember, due to the securities laws, for example, in the US, we are not allowed to discuss the merger with Konecranes in this call.

Mika Vehviläinen: Thank you, Aki. Good afternoon from my behalf as well. Thank you for joining the Cargotec Q2 2021 conference call. Before I start, a small personal note, actually, Tiina Aaltonen who has been, or is, the assistant for the Finance Department and Investor Relations is having her last work day today. And she's been with us for 16 years, and that's more than 60 quarters. So, thank you, Tiina for great work and all the best on your future retirement as well.

And now the actual quarter itself, so it's been a rollercoaster ride for the last 12 months. Obviously we had probably the shortest down cycle in the history. And, as you know, from September onwards we have seen a strong demand returning, really now highlighted on the record or orders we have taken in both in Kalmar and Hiab, and overall also highest order intake ever in Cargotec's history.

Looking at the highlights on that one, strong demand, especially in Hiab and Kalmar's mobile equipment. We also improved order intake in our automation solutions, as well as in MacGregor, but to a lower level as such. And the quarter did not include any major automation orders as such. Sales increased by obviously stronger demand, by 13%. And it's good to see that the services business is returning back to growth. The COVID restrictions are still impacting the services growth. But it's good to see that despite the somewhat difficult environment, we are able

to return on that. But, obviously, one driver is the increasing usage of the equipment and required services there as well.

Also, operating profit increased together with the revenue. Very happy with the MacGregor, despite the fact that they had lower revenues than a year ago, they're able to improve the operating profit. And obviously this is driven by the efficiency efforts we are taking in MacGregor. And, I have to say, that looking at the market outlook now for MacGregor, we are in a good place to take benefit of the market's growth with good financial performance underlying that one. Also, excellent performance from Hiab there. We were able to turn good demand into positive operating profit development. Less so in Kalmar where we had a number of issues related to the supply chain, and Mikko will go through some of the details more and more in his part of the presentation as well.

Equipment running hours, this is, again, comparing Q1 now to Q2. As you see that there is still some modest growth, but then we actually now looked into the details of this one. We start to see that very large part of the equipment is now operating at the capacity. So, we are not expecting to see major running our numbers moving forward here. This actually is sending up visible in our orders, of course, is that more capacity is required in market in terms of the new equipment as a lot of the equipment is now operating at the maximum capacities in its respective operations.

Market environment actually was strong pretty much throughout all of our segments. Container traffic grew by 13%. We expect the whole year to show strong growth. And also we expect that growth to continue into the 2022.

Also, construction output both in Europe as well as in North America as being at strong level, we expect that growth to somewhat slow down towards second half as the labor shortages and material shortages are slowing down to excellent growth rates we have seen. And this is

obviously having a clear positive impact for Hiab, as are the other economic activities, such as the distribution, et cetera, as well.

In that regard, as the market has clearly shown a turnaround in there. So far this year we have seen 735 merchant ships ordered. That's actually more than the whole last year together. And I think it's quite clear that, looking at the current Clarkson estimate of 1065 ships that's probably going to be higher number. And, Clarkson will, obviously we update their estimate in September. Offshore oil and gas market is still actually relatively low, but we see a very strong activity increases in offshore wind. And it's quite interesting to see actually that about half of the ships ordered in offshore segment are now actually into the offshore wind applications as such, so a good growth there. And we are in a very strong position to take advantage of that growth in MacGregor as well.

As said, record breaking orders both in Kalmar as in Hiab, they broke the old record in actually Q4 in Hiab, we broke the record again in Q1, and we got to the news hundred level with more than 500 million of orders in Hiab. Really driven by very strong underlying market activity and then the price increases, both in Kalmar mobile equipment and in Hiab we have driven a number of price increases. Most cases two, in some cases even third the price increase already within this year. Overall, the price levels have increased about 10% from the beginning of the year. Obviously, not all of this will be visible in this year as the delivery times are extending into the next year. However, we believe that the current price increases will actually be adequate to cover any increased cost in components and other materials cost and visible for us at the moment as well. And obviously we will see a big part of the benefits coming through then on 2022 where the price level are in full effect.

MacGregor has also seen increase in orders. This is not yet materially impacted by the good order volume intake in merchant ships. That will be most likely visible earliest at the end of this year, most likely during 2022. But their offshore wind is showing good, positive development, as

well as the MacGregor services there as well. This obviously has resulted into an extremely good order book of more than €2 billion. And it's good to know that this order book is of exceptionally good mix in the terms of Hiab and Kalmar mobile equipment having a larger share of the order book now moving forward.

Sales and comparable profit improved. When I look at our supply chain situation, we estimate that we missed about €20 million in top line due to supply chain situations. Overall, our own processes, and factories, and systems are actually working without any major limitations. At this stage there are some COVID related restrictions in certain factories, but that has not been a case for us. In the supply chain side of components availability, we do not see any major single issues. There is a wide range of smaller problems, and they tend to vary from one to another, from week to week as well. And that's slowing us down somewhat. Some of the engine availabilities and a very wide range of materials impacting that somewhat. But, overall, a relatively good performance considering the circumstances, and no major particular concerns at this stage.

Good to see the service is returning despite the COVID restrictions. And the service orders actually increased by 27%, an excellent number as such. And then you look at the business area, specific, of course, to Hiab numbers, stands out. The year on year comparison, of course, is partly driven by the fact that in Q2 2020 COVID impact had a major impact on the Hiab installation volumes and accessories. And obviously that market has now returned and is partly helping. But also busy, obviously, with the high equipment activities and demand for service is growing, and the demand for spare parts also moving to a good direction.

We continue to execute our strategy. It's very clear that sustainability is becoming a main driver or major driver for our customer segments as such. We keep on investing into the right technologies and the strong financial position we are in today, especially after the exit of the Navis, enables us to continue our strong investment in the right technologies to serve our markets

in robotization, automation and electrification. And, overall, see the market demand for that kind of solution developing very favorably for us. A good example of that one is Kalmar. Today, for example, in electric heavy forklifts, already more than 30% of the demand is now electric. And we see the same development happening in there. In some of the products we are already in second in generation of electric vehicles, and all of our equipment will be fully electrified by the end of this year.

Also, we announced a cooperation to lead the market and technology research together with SSAB in terms of their carbon free steel development. I'm very happy to look into opportunities in that market as well. With that one, I'd like to hand over to our CFO, Mikko Puolakka, who will cover the business area.

Mikko Puolakka: Thank you, Mika, and good afternoon also from my side. Let's start with Kalmar where we had a really very extremely strong quarter. Like Mika said, record quarter for quarter two. Demand was strong, very much driven by the macro outlook. Also the announced price increases. We have done several price increases this year, as well as customers' anticipation for the longer lead times. Growth came to a great extent from mobile equipment and more specifically, especially from terminal tractors. But there are also other container handling equipment and also forklift trucks and services were performing very well. We did not book any major, or basically any, automation orders in quarter two. But in the automation and project division, we got some replacement type of investments. For example, straddle carriers to manage the existing capacity in the larger cranes.

Looking at sales development, the supply chain and logistics bottlenecks, were impacting, to a certain extent, Kalmar quarter two sales. Mika mentioned earlier on Cargotec level approximately €20 million. Roughly half of this is related to Kalmar. So, missing components, certain logistics bottlenecks prevented us to deliver all the planned deliveries in quarter two. Those will be made in quarter three and quarter four this year. The sales growth was very much driven by the mobile

equipment orders, which we received in the second half of last year. The automation and projects division declined there due to the low order intake during the last 12 months. Services and sales development was very good.

Looking at Kalmar profitability, it was flat year on year. And here the main drivers were the extra costs related to handling the missing components – lower productivity due to missing components, as we have to move products from place A to B, interim warehouses, and then back to that production when the missing components have been received. Also, the transportation is more expensive nowadays compared to six months ago. Also, the lower Navis sales impacted our Kalmar profitability to a certain extent as less license deals were booked and recognized as revenue in quarter two.

We have also accelerated the investments in our R&D activities, and this is related to robotization and electrification, like also Mika described in the previous slides. We have completed Navis divestment on 1st of July. So, Navis numbers will not be anymore consolidated into Cargotec and Kalmar results as of 1st of July. The enterprise value was €380 million. And we will book, in quarter three, a €240 million operating profit impact – positive operating profit impact from this transaction. This will also have a positive impact on our gearing in quarter three.

Then, looking Hiab where we have had basically a very excellent quarter in all metrics. Orders developed very nicely. This was an all time high in Hiab's history. Strong demand in all product categories, as well as in services that we then also – services driven also by the high utilization rates. If we're looking at geographical development, the strongest demand was in USA and Europe coming in the second place.

Looking at Hiab's order book, also I would say extraordinarily high. This represents more than 2.5 quarters of sales. Also, very much reflecting the supply chain situation where we have had longer lead times due to the suppliers ability to cope with the rapidly increasing volumes. Hiab's

sales increased by 30% year on year. And also there we have had some delays, approximately also €10 million in Hiab due to the missing components, and also transportation delays. We expect to catch up this also in the coming quarters.

And then looking at Hiab's profitability, very good development, operating profit up by 82% percent, and strong development also into relative profitability, driven by the volume increase, as well as the productivity improvements which we have done in 2020.

And then moving to MacGregor where we have seen now recently positive development arising from the market activity improvement. MacGregor has had now two consecutive quarters where the book to bill has been above one, also illustrating the market development. Strong development in all divisions, in merchant, in offshore, as well as in our services.

Looking to sales, sales declined. And this is coming from the fairly modest 2020 orders as the markets were quite low that time. Service sales increased now 10%. If you remember our quarter one, service sales were down by 18%. And now the improvement is very much coming from the high utilization activity at our rates at our customers. So, the shipping lines are running very – at a very high capacity utilization and the services are needed for that. Good development in operating profit. Fourth positive quarter now in the row. And the improvement here is coming very much from the good service performance, as well as the cost reduction activities, which we have done particularly during the last couple of years. We still continue with the cost reductions, and our objective is to reduce fixed costs by €13 million this year compared to last year. And we are progressing well with this plan.

Two highlights about our key figures. If we look at the first six months, our orders are now almost €1 billion higher than last year. Despite our sales being 2% below last year's level, we have been able to improve the operating profit, including all items affecting comparability significantly. And the items affecting comparability amounted €54 million, significantly lower than last year. The

biggest items in this line were the merger related costs, approximately €17 million. The purchase price, amortization, €8 million. And novice divestment related transaction costs, €5 million. Our net income was €60 million better than during the first six months of 2020, which is, of course, very visible also in the earnings per share and now even though our ROCE is still fairly low, we are in an upward trend there as the operational performance has been improving.

Looking our cash flow. €30 million for quarter two, improvement from last year's quarter two. We had a strong contribution to cash flow from the profitability from EBITDA, approximately €73 million. But then our net working capital increased by €60 million. And here the biggest component has been the inventory development, especially work in progress where we have had some semi-finished products that, because of the missing components, these will be delivered in the latter part of the year. Balance sheet has remained strong. Our gearing in quarter two, more or less on the quarter two level, the quarter one level, and also the liquidity has remained on the same level as in quarter one. As I mentioned earlier, the Navis divestment will have a positive impact on our gearing. If the Navis divestment would have taken place at the end of June, our gearing would have been approximately 30% instead of 60%. So, significant impact from this transaction. We have also refinanced the majority of our 2022 maturing debts, and we have only one bond, amounting to €150 million, maturing next year. So, from that point of view also, nice debt maturity profile.

And for the outlook for this year, we estimate that this year's operate – comparable operating profit will improve from last year's level when it was €227 million. And then, with those words, I would hand over back to Aki.

Aki Vesikallio: Thank you, Mikko. Thank you, Mika. Now, operator, we are ready for questions.

Operator: Thank you to our speakers. Ladies and gentlemen, as a reminder, it's star one to ask a question over the phone today. Please state your name and company before posing your

question. We'll now move to our first question over the phone. Please go ahead, caller. Your line is now open.

Speaker: Good afternoon, that's Artem from Credit Suisse. Thank you very much for taking my questions. My first question is about the strong global order intake in Hiab and Kalmar. I think last quarter you have been very vocal about the fact that you've seen a lot of pre-buying from your customers ahead of some shortages. And I think this message is now a bit more moderate now. So, I guess my question is, do you think a lot of the demand is due to pre-buying? And how should we think, I guess, how Q3 has started sequentially compared to Q2 maybe?

Mika Vehviläinen: Question, I do think there is an element of pre-buy still there. We've been quite assertive with our pricing in the first half of this year. As I said, altogether, we have increased prices a number of times. And I would say, average, probably about 10% price increase from the beginning of the year. And that certainly is probably driving some of the buying behavior. But it's good to remember that the underlying market is also very strong. But there is talk about the container output, port activity, logistics activity, construction, and that really drives the customer demand as well. And we can also see that in our equipment running hours, and the fact that most of the equipment is running at full capacity at this stage as well.

And back to the question related then to Q3, what we have seen so far in July is actually pretty much the same pace continuing as we saw in the Q1 and Q2. And this is after all the price increases now effectively have come in force already. So, it seems to me that the underlying market also shows a strong demand. But I do believe that there is an element of pre-buy in the numbers we have seen during the first half.

Speaker: Thank you very much. And my second question is around the margins, I think Konecranes today commented that they see intensified cost inflation into H2. So, maybe could

you run us through major bridge components which we need to be aware of for each tool, like mix, cost savings, cost inflation, et cetera? Thank you.

Mika Vehviläinen: If I look at the different components on the cost inflation, certainly we have seen a price increase pressure in many of the components, as well as in steel. It's good to remember that we have existing supply contracts in place, so these cost increases, price increases come through delayed. From analyzing from our situation, we see that the price increases that we have put in force are roughly at the level that we see also in terms of the cost inflation coming through. So, we expect the overall impact to be pretty pretty neutral for us for this year. In terms of the mix, as we have seen, has turned – now, in the last quarter, it's quite clearly more favorable for us with the higher and higher proportion of the Hiab and Kalmar mobile equipment from our backlog.

Speaker: Okay. Thank you very much. And my last question is about large automation orders in Kalmar. I think earlier this year you mentioned that there is a very strong pipeline of bigger orders that, time wise, they might be closer to the yearend. Yea, how do those look like?

Mika Vehviläinen: So, it's very much the same, I think as I had said previously, when we look at the previous cycles, usually the last port CapEx in the indexes or the investments happened about 12 to 18 months after we see the traffic popping up. As we have seen the traffic starting to accelerate really from the Q3, especially Q4 onwards last year, I think we are looking at the earliest towards the end of this year. Many of them potentially only realize in 2022. But the pipeline is there and it's healthy.

Speaker: Thank you very much for taking my questions. Thank you.

Operator: We'll now move on to our next question over the phone. Please go ahead, caller. Your line is now open.

Speaker: Hi Mika, Mikko, Aki, Magnus from UBS. A couple of questions. Could you comment on the supply chain costs you incurred in Kalmar in the second quarter specifically?

Mika Vehviläinen: Yeah. There are two types of costs. The one we just discussed was related to the cost of components or raw materials. And, as I said, that the impact is pretty neutral. In addition to that, one, obviously the logistics uncertainty in terms of the material availability as well as the shipments is causing some of the reshuffling of the production, as well as the sudden tactical shortages, the components that seem to be shifting from one week to another are causing some extra work in there. So, where we see cost pressure clearly is in on some of the indirect costs related to the shuffling on the production line, as well as the obviously freight rates have also been on the rise as well. We expect those to have some marginal effect in this year.

Speaker: Okay. In quarter, maybe low single digit millions in the quarter on that is reasonable?

Mika Vehviläinen: If I remember right, you look at the freight rates, the impact of 0.1%, or?

Mikko Puolakka: Yeah.

Speaker: Okay. And the reshuffling, is that the magnitude relatively limited?

Mika Vehviläinen: Probably it's visible in Kalmar, if you look at those numbers. And I think the Kalmar equipment, I think that because of the nature of the equipment, effectively they are a type of trucks or the component shortages are probably more acute there. And that has caused a bit more reshuffling there. But in Hiab there is less microchips and electronics involved with the products. There was some impact on the cost that was visible in the Kalmar operating profit number.

Speaker: Okay. Got it. Thank you. When you continue on the same topic, you also believe that you will continue to see some of this into Q3, but it will ease towards year end. Could you give us some more color on the nature of the shortages and component issues you have so we can try to quantify the probability of this easing?

Mika Vehviläinen: So, first, the good news is that our own processes and factories are actually operating smoothly. It is really down to ensuring the availability and timing of the services. I think the Q3 is going to be a difficult in many of the areas still, and this is really coming directly from our suppliers, and many of them indicate better availability when we move towards Q4 then. So, I think we will see the peak of these shortages probably during the Q3, and then, coming again from the suppliers, easing off the situation towards the Q4.

Speaker: Got it. That's clear. And finally obviously had very solid momentum in Kalmar mobile equipment there. Any chance you can give us some color on how the margin mix looks in the backlog compared to what you are delivering in the quarter? And also if there is any risk to those margins on the back of the supply chain issues?

Mika Vehviläinen: Not as such. As I said, there has been a number of price increases there as well that should compensate for the supply chain or the supply and components, the raw material cost increases there as well. The US market and some of the logistics products are having a particularly high demand. They tend to have somewhat lower margins than the heavier container and moving equipment as such. So, that will have some impact on there. But we do see overall, obviously, the margin developing favorable when we are able to ramp up the volume and deliver against that backlog.

Speaker: Got it. Thank you so much.

Operator: We'll now move on to our next question over the phone. Please go ahead, caller. Your line is now open.

Speaker: Yeah. Hi. It's Antti from SEB. Thanks for taking my questions. And, firstly, on the backlog, and obviously on the Hiab and the Kalmar mobile equipment side, could you talk a little bit about how much do you expect to convert to sales this year of your backlog, and how much is stretching into next year? And talk a little bit about delivery times in Hiab and Kalmar mobile on the new orders that you are booking today?

Mika Vehviläinen: I think if you would receive an order for Hiab today, you would most likely, depending a little bit on product area, will get to Q4. But in many instances, also Q1 or Q2 deliveries already today. The situation in Hiab is not necessarily that critical, however, because, as you know, the truck delivery times have extended as well. And, obviously, you need them both to be able to start the operations as well. So far what we are looking is to try to match the truck delivery delays on their – same is true, again, varying from one component to other. Some of the US logistics equipment is certainly – if you place an order today, you would be looking at the first half 2022 deliveries. In certain other equipment you could still get into the Q4 production slot. But, overall, we're looking four to six months deliveries times at this stage.

Speaker: Okay. So, I'm just looking at the backlog on Hiab, and it hasn't really been ever on these levels that it is today, so is it the truck delivery times, its suppliers? What is the biggest constraint on your, let's say, sales and delivery bookings for the second half?

Mika Vehviläinen: Almost entirely on the supply of the components. Again, obviously we are asking a lot from our suppliers if you think about how fast the market moves from – in last 12 months, the factory capacities and the processing as such are not an issue. It may be in some limited number of factories some of the COVID restrictions still in force limit how much you can ramp up the

capacity. But I would say that almost entirely depending on just our supply chain, able to cope with the higher than expected demand.

Speaker: Okay. And maybe lastly on the demand in Hiab, and this was already asked. If you look at the order levels, they are 30%, 40% above pre COVID H1 2019 levels. And surely there's some pre-buying there. But in which areas do you see that the market demand is actually substantially higher than it has ever been before, if you look at your client industry segments and product segments as such?

Mika Vehviläinen: It's a great question. One way to maybe look at that, if you look at the Hiab business overall from really 2012, 2013 onwards, it's been growing about 6% to 8% CAGR. So, if you would look at the 2019 number, and then would assume that 2020 would have been a normal year, and then you add 2022 on there. Actually, after the Q1, we were still pretty much within that trajectory. So, you could say that they were compensating for the 2020 dip. But, overall, the growth numbers were in line what we have seen now for a number of years over there. And now when you look at the Q2, you would say that the – going over that trajectory, somewhat maybe €100, €200 million on that one as well. And there is probably, as I said, an element of pre-buy. But it's good to remember that there's a very solid growing market underneath that demand as well.

Speaker: Okay. Thanks. And then, lastly, just on the on-off costs, and I guess that was mainly related on the merger side. So, could you remind us on also other restructuring expenses that you expect for full year, and what the number should be on the second half?

Mikko Puolakka: Now, we have incurred now, in the first half of this year, €16 million costs related to restructuring, mainly MacGregor and some smaller items in Hiab. For the full year, we expect €40 million. So, roughly similar number for the second half.

Speaker: Okay. Thanks so much. That's all for me.

Operator: As a reminder, ladies and gentlemen, it is star one on your telephone keypad to ask a question over the phone today. We'll now move to our next question over the phone. Please go ahead, caller. Your line is now open.

Speaker: Hi Mika and Mikko, thanks very much for taking my questions. It's Aurelio on Morgan Stanley. A couple of questions from my side, if I may. The first one is mainly on the underlying demand drivers in MacGregor. We've obviously seen the first half very strong in terms of contracting in the market. And if I look at your vessel exposure, things like containerships are up significantly. But I know there's obviously a significant lag between an order that has been placed for a vessel and you get the order. So, if you could remind us how big that lag is. And also, on top of that question, I guess some of the players are there, I think Hapag Lloyd last month announced an order for six ultra large container ships. And they said that they think that all the orders have in placed now in the market. Do you see these trends outside of container ships or do you think the trend is stronger for longer?

Mika Vehviläinen: First of all, it's very clearly that containerships have been leading the pack now in terms of the orders, and we will take our fair share of that growth in that one. Again, as I said, I would expect earliest those orders to be visible towards the end of this year, most likely next year. It is typically six to 12 month cycles for us for the orders. Although, of course, shipyard capacity as such is lower than it has been typically. So, the shipyards should be able to process the ship orders faster than they usually do on that one.

When I look at the bulk ship market, we know that the traffic actually and the capacity is on the rise at the moment. China, for example, is consuming huge amounts of coal at the moment. And there's quite a lot of traffic happening there at the moment. We see the activity level increasing in the bulk ship market as well. It's not yet fully visible in the – or not that much visible in the order

intake. We do expect that you will see an increase in number of bulk ship orders moving into the second half of this year as well.

And the third element I already highlighted is the offshore wind market where we clearly see a very high level of activity at the moment.

Mikko Puolakka: RoRo activity has been improving this year compared to last year.

Speaker: Okay. That's very helpful. And maybe one question related to Hiab, obviously if I look at your margins, you're going back to 2017 levels. And I understand that a lot of that has been driven by volumes. But in terms of what you're doing in that business, at the underlying level, I know that you had in your list to optimize the footprint. Is that something you're considering, given the level of activity that you're seeing at the moment? And did you have any impact this quarter from US dollar movement?

Mika Vehviläinen: The footprint optimization is going on as we speak. Overall, we have taken – took a study to take actually a number of productivity measures in Hiab in the second half of last year. They start to be now visible, possibly a number, so obviously the revenue and the margin improvement is there, but also the cost has been under control despite the higher volume intake. The services business is expanding very well. We are doing an excellent job there as well. And then our pricing function, and we really have put quite a lot of effort in improving our pricing processes as well in the last 12 months. And all of those are visible and will be visible also going into second half.

Speaker: That's great. Thank you.

Operator: We'll now move to our next question over the phone. Please, go ahead. Your line is now open.

Speaker: Yeah. Hi. It's Antti from SEB. Thanks for the follow up. This is regarding capital allocation. And your balance sheet is getting much stronger, obviously, after the Navis divestment. So, underlying market seem very strong, notably, higher than Kalmar, so is it time to maybe accelerate growth investments, whether that would be M&A, or investing in the sustainability portfolio? What are you planning to do in that front next 12 to 18 months?

Mika Vehviläinen: Absolutely. The financial position we are in and together with the strategy, and if you look at the drivers and the market regarding sustainability, put us in a fantastic position to really start to accelerate further. So, you will see us investing more into technology to enable more sustainable material flows. And most likely they are quite active in the M&A market there looking at the potential targets there as well.

Speaker: Any plans to increase the capacity, whether it's Hiab or Kalmar mobile, as the market seems to be peaking – or not peaking, but growing on a level that it hasn't been before? Any ideas on that front?

Mika Vehviläinen: Not really necessary. As you know, we are in the asset light operating model, so we are assembly operations. And the way we can increase capacity is moving into second, and in some cases potentially to a third shift as well. And our view at the moment is that even with the higher demand at the moment, we do not need actually CapEx to answer that. The only potential concern would be somewhat adding capacities, of course, to labor availability especially in some locations, like in US at the moment. So, that's probably more an issue for us than any CapEx requirement.

Speaker: Okay. Thanks.

Operator: Just to confirm to our speakers, we have no further questions cued over the phone. I do apologize. One has just queued. Please go ahead, caller. Your line is now open. Just to confirm, participant we're not receiving any audio across your line. You may be on mute.

Tom: Yes. Hi. This is Tom Skogman from Carnegie. Good. So, I can see that other items affecting comparability were almost €5 million in Kalmar, while there us almost no in the other divisions. I assume this relates to the merger post that you have there. And I've seen also that you have increased this restructuring audit in the merger related costs. So, can you explain what triggered this big increase in merger related costs? And what type of integration planning are you allowed to do? And how do you do that at this moment?

Mikko Puolakka: So, in Kalmar the other items affecting comparability numbers and quarter two are mainly related to the Navis divestment. And then what comes to the Cargotec level costs, those are, at the moment – majority of those are related to the merger control related process. So, the integration we do to great extent with our own resources, with some external support. But the majority of those costs are related to the merger control. And we have increased the transaction related costs from joint costs which are coming from Cargotec and Konecranes] from €50 million, what was in the prospectus, to €70 million. And this increase is coming from the extra work or additional work, what we are now taking in the merger control process, and what we have announced just before the end of June.

Mika Vehviläinen: Sorry, Tom. I was just going to say – this is not related to your question, but there seems to be, especially in the media, some sort of a misconception related to these last phases of the merger control phase two. And we agreed, together with the competitive authorities, to, so-called, stop the clock process, which effectively freezes the process for a very short period, if I remember right, 20 days. And that's really to enable our team to gather the necessary documents and also for both parties to take some of the summer break. And this was done in

good cooperation with the competitive authorities. And it was just a short technical delay that both parties agreed. And there has been, I think, some misconception around that one.

Tom: All right. Thanks. And then I realize it's very hard to estimate what will happen to the supply chain in the third quarter. But is the best understanding you have at the moment that you are capable of increasing sales in Kalmar and Hiab by more than 10% compared to the Q2 level, despite the holiday season and despite the supply chain uncertainties? Or, is this too aggressive?

Mika Vehviläinen: It's a great question, and I think you point it quite correctly. It's good to remember that seasonally Q3 tends to be weak because of the holiday season. And that, of course, that relates partly to all activity as it relates to the supply activities and it relates to customer activities as well. So, generally, Q3 tends not to be stronger than Q2, and we still see some of these restrictions. So, at this stage, I would not try to estimate there. But I said, it's very tactical situation at the moment, and it keeps on shifting from day to day and week to week as well at the moment. What we do hear from most of our critical suppliers that at the moment is that we do see better availability towards Q4 then.

Tom: Okay. And then I wonder about this increased steel price. You supply equipment to vessels where you have a huge steel content supply, large automated projects involving large cranes like automatic stacking yards with a great steel component. So, I would just like to understand a bit about – how much has, for instance, the price of RTG Crane used in a project now, how much of that increase because of the steel price increase here? And then I just also, as part of this, wondering in – at the shipyard level, do they have good steel agreement somehow that they – that's explaining partly why the orders are skyrocketing now, that they have had options to use low cost steel for orders for a certain period of time, and after that the orders could start to fall back again also?

Mika Vehviläinen: If I look at the areas, it is primarily around Kalmar and heavy cranes automation systems, and MacGregor where the steel content is the highest. We do not really have an exposure for the steel prices, because effectively what happens is that the contract steel price at the same time may be contract for the customer as well. So, it's back to back arrangement. And, as such, we know, from the moment we close the contract, what the price is for the steel components on that one. Same is true for MacGregor. But even more so in MacGregor quite often we actually do not necessarily participate directly into the steel sourcing, but the shipyards does it on our behalf. And, again, they do generally back to the back with their customers as well. So, for the business areas that have the largest steel components, we don't really have exposure. Obviously, it will impact our mobile equipment and Hiab. There we really are, as I said, being quite aggressive in pushing our price increases. Again, the steel component proportion of the overall cost is considerably lower in those product areas.

Tom: Yeah. I'm just wondering about the dynamic effects and order behaviors, et cetera. Whether shipyards have had the auctions for attractive steel prices, boosting orders now and whether the rate of increased steel price could postpone automation orders for you even more, because the price of the cranes have gone up by 30 percent or so because of the steel price increases.

Mika Vehviläinen: I don't think the actual steel prices are up quite as much. Obviously, when you look at the steel prices, we tend to look at the spot prices. And we have seen some amazing increases in there. Generally speaking, people do buy in certain frame agreements that the price movements, of course, are a little bit more modest.

Mikko Puolakka: And also one of the reasons why larger automation deals have not materialized yet is that customers are having hands full in their existing terminals. So, it's quite difficult to carve out, say, one third of the terminal just to reserve it for the automation purposes. So, like Mika said, these are coming, to a certain extent, with the delay when volumes are increasing.

Tom: And then perhaps finally I saw that Maersk terminal stated that their focus is now really moving to automation of Brownfield terminals from extending ship to shore cranes. So, do you think this could lead to significant orders for you as a company, like they're already?

Mika Vehviläinen: Obviously, ultimately all of the current larger container terminals will be automated. The business benefits are there. The question really is about the pace, and especially when we talk about the Brownfield, as you know, it's not going to happen overnight. So, it's actually what you see happening with Maersk and other companies is that generally you move to one port piece by piece into automation. So, you will see and good business coming through, but on smaller portions and over a number of years there as well.

Tom: All right. Thank you.

Mika Vehviläinen: Thank you.

Operator: We'll now move on to our next question over the phone. Please go ahead, caller. Your line is now open.

Speaker: Hi. Thank you. Magnus from UBS again with some follow ups. And first, it's follow on Tom's question there when it comes to the back to back agreements on the large cranes in particular. Obviously, the raw materials cost components obviously quite sizable for those products. So, when you say that you have back to back agreements, do you typically offset the, shall we say, nominal cost inflation you're facing on those products, meaning that even if you do that, do you still face a margin headwind on those products if, of course, the cost inflation is, say, 30% or so just to understand the dynamics how the margins move?

Mika Vehviläinen: Every deal, of course, is a negotiation on these particular sites. But we do know – first of all, we do not have surprises in terms of the underlying cost, because the moment we strike the deal we do know what the steel costs for that will be. Obviously them pushing that increased cost that they are having a full visibility on into the customer is always a negotiation issue. And in this business, generally, the margins are continuously under pressure. But I don't really see a fundamental change. I think everybody understands the situation we are in, and cost pressures related to that one. And it's same for those suppliers.

Speaker: Okay. But it's more like – I'm sorry, go on.

Mikko Puolakka: And in addition to sourcing activities, we have, of course, also design to cost activities which are aiming at improving the product margins. And sometimes some of these activities will be used to compensate cost increases or price pressure sometimes. We can enjoy more about the design to cost activities.

Operator: Okay. But it's more as a pass through in a way, those back to back agreements?

Mika Vehviläinen: It is a pass through. And as Mikko was saying, for example, we just announced an introduction of new RTG, which is one of the heavier and crane products, and one of the improvement there is it's a lighter structure, which also means that there is less steel involved in that product. So, that's part of the work you do always.

Speaker: Yeah. That was very good, obviously. That's great. And then to comment on the lack of labor in the US, I think in particular, I just wanted to check if you've started to see any labor cost inflation moving up in any of the markets?

Mika Vehviläinen: I think it will be an issue. It's already visible in the production in US in terms of just people not showing up and they're supposed to show up, even if you have done an agreement

with them. So, it's been a struggle in there. Less so, maybe on the European and Asian manufacturing facilities, Services technicians is another one. There is a shortage of those ones and difficult to find new ones. So, I would expect that you will see actually labor cost inflation happening in the second half of this year.

Speaker: Got it. Thank you. And just, finally, I'm not sure to extent you can comment on this, but I think the time it took before you filed in Europe with the antitrust authorities was a bit longer than you originally anticipated. Is there any particular reason for that that you could have possibly?

Mika Vehviläinen: I don't think so. One thing we've done, of course, is that we benchmarked our filing process to other filing processes that has been going on. And we are pretty much average in terms of the schedules involved. There is always quite a lot of prework involved on that one. Of course, these are complex products, and there is quite a lot of data that authorities are requiring. And then just putting it together, the required data and submitting that to authorities is no small feat. And we talk about millions of documents in many of these cases. So, that requires its own time to put it together as one.

Speaker: Got it. Makes sense. Thank you so much.

Mika Vehviläinen: Thank you.

Operator: Just to confirm, there are no further questions queued over the phone at this time.

Aki Vesikallio: Okay. Thank you for the great questions and great answers. Our Q3 results will be published on 28th of October. Stay safe and healthy.

Mikko Puolakka: Thank you.

Mika Vehviläinen: Thank you.