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Moderator: **Hanna-Maria Heikkinen**

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Hanna-Maria Heikkinen: Good afternoon, ladies and gentlemen, and welcome to this news conference regarding Cargotec's half year 2019 financial results.

In Q2, we saw good progress in Kalmar and Hiab but the quarter was difficult in MacGregor. Today, our CEO, Mika Vehviläinen, will start with the Group highlights. Then our CFO, Mikko Puolakka, will continue with the business areas and the financials and outlook. After their presentation, there is a possibility to ask questions. Time to start, Mika.

Mika Vehviläinen: Thank you, Hanna-Maria, and good afternoon, and welcome from my behalf as well, to the Cargotec 2019 Q2 Conference Call.

In Q2 2019, we saw our comparable operating profit increase by 12% to €64 million. We saw the good momentum in orders received continuing in Hiab, and we see market softness in MacGregor business reflected in decline in order intake. The Q2 2018 was a very strong quarter for Kalmar and obviously, very challenging comparison point and we saw 24% decline in Kalmar orders compared to one year ago.

However, we still see the pipeline and prospects in Kalmar port investments to be in a very solid level, and I think this is more a reflection of the lumpiness of the business and timing of the orders.

As said, the comparable operating profit increased by 12%. We saw a very strong good improvement happening in Kalmar operating profit, and Hiab actually had a record high operating profit by more than €50 million.

MacGregor result and performance was obviously a disappointment, from our point of view. We are addressing the issues, and Mikko Puolakka will cover more details about the root causes for the losses in his presentation.

We also saw a very important milestone pass this week with the Chinese Competitive Authority approval for the TTS acquisition that will now enable us to close the deal. This is a very good deal for us. The strategic rationale is very strong. With the combined installed base, this enables us to drive further growth in services, with the good MacGregor services operations leveraging now those operations into the TTS installed base as well.

This deal will also enable us to have a much stronger strategic position in the very important Chinese shipbuilding market with the TTS joint ventures with the largest Chinese shipbuilding companies. Obviously, the overlap of the operations, this will also enable us to drive synergies, which we estimate to be around €25 million to €30 million on annual basis within the three years.

We are obviously aware that the market situation in marine at the moment is very difficult. However, this combination obviously enables us to address those headwinds much better than as standalone entities.

As a part of the Chinese Competitive Authority approvals, there are certain remedies attached to that one. The two main ones are related to, first of all, the need to hold certain MacGregor new equipment businesses separate from the TTS joint-venture for the period of two years. And then there were certain temporary requirements related to the terms and conditions in new equipment business in China. I do not see the second one to be material in any way, as the market conditions ultimately set the terms and conditions.

The practical implication of the first remedy is the fact that the potential synergies related to combining the MacGregor new equipment business in China with the Chinese TTS joint ventures will delay those related synergies for the first two years, but ultimately will not affect the total synergy potential. We now expect to close the deal on 31 July and obviously, from 1 August we will start the integration and joint business development with the TTS organization.

Related to the market conditions, the growth continued in global container throughput and we expect that growth to continue also within the second half of this year. Overall, we still see the pipeline in port investments on a very solid level and we expect further automation with the phased smaller investments continuing. However, we do not expect any large or single automation deals within this year.

In Hiab business, the construction indicators stayed at a good level, both in the US as well as most of Europe, with limited few soft spots in the European market, and that's obviously reflected in the good order development continuing in Hiab business.

However, in MacGregor business, compared to Q1, we clearly see more softening market and we now expect the total ship order quantity to actually decline from 2018, delaying the market recovery by another year in MacGregor.

As said, overall orders declined. However, good progress continued in Hiab.

In Kalmar, as I said, this is more a timing question. On year-to-date orders, Kalmar is still up from last year, which was already on its own, a strong year. The difficult market conditions in MacGregor obviously also related and reflected in the MacGregor order intake. The order book is however still 16% up, year-on-year. The order book is of good quality. We also are in an actually exceptional situation that we pretty much have a full year order coverage in almost all of our product lines for the remainder of the year.

Thanks to the strong order intake we have seen in the last 12 months and the improving supply chain situation, we saw sales increasing 12%. And that's obviously driving then improvement in operational profit as well. Related to the supply chain situation, we see continuous improvement taking place but we are not out of the woods yet. We still experience certain component shortages, especially in hydraulic area, but we see gradual improvement continuing both in Hiab and in Kalmar business.

Especially pleased that the good progress in our services and software business is continuing. In Kalmar, we saw 6% growth in services with the comparable FX and adjusted for the M&A we have done in the business, and a strong 14% growth in Hiab services business. The soft market condition was reflected in MacGregor with the 1% decline after a couple of quarters of, actually, increases in MacGregor services business as well.

Total services increased despite difficult MacGregor situation by 6% adjusted for the FX and acquisitions and divestments. Also, strong sales growth continued in software, primarily driven by the growth in automation software. Overall, the service and software is 33% of our revenue. And on a rolling 12 months basis, our services and software revenue is now €1.2 billion, and we are well on the way to the €1.5 billion target we have set for ourselves.

With that one, I'd like to hand over to our CFO, Mikko Puolakka, who will cover the business areas more in detail. Mikko, please.

Mikko Puolakka: Thank you, Mika, and also good afternoon from my side. So, let's start with Kalmar where we had very strong profit growth in the second quarter. Orders, like Mika mentioned, declined 24%. But one should note that in Kalmar business, we have certain lumpiness in the orders, and the quarters are not like sisters and brothers when comparing to each other.

In the comparison period, when we are looking at the orders, we had €80 Qube's Moorebank order in quarter two 2018. And also we had in last year's quarter two fairly high mobile equipment orders. But overall, we would characterise that the Kalmar sales funnel, as we speak today, is solid, so good progress in this area.

The order book in Kalmar is just above €1.1 billion, and this offers, of course, a very good basis for the rest of the year revenues and also for the beginning of next year. Sales were up by 10%, year on year, €427 million for the second quarter, and this is very much driven by the good order intake in the past quarters, especially in the mobile equipment area.

Services sales increased by 10% for the quarter as well as for the year-to-date when comparing with comparable exchange rates, as well as when excluding the divestments. And the service growth is very much in line with our long-term growth targets.

Operating profit for the quarter was almost €38 million, a 49% year-on-year improvement. After six months, Kalmar operating profit is 30% higher than a year ago. And the profitability improvement in the second quarter came very much from the sales growth as well as keeping the fixed costs on previous year's level.

Then, moving to Hiab where basically all our financial indicators were very green during the second quarter. Orders were €340 million, a 13% year-on-year growth. We saw solid growth in both main markets, Americas as well as EMEA, and the growth in orders came especially from truck-mounted forklifts, loader cranes, demountables as well as from services.

We announced also earlier today a very large truck-mounted forklift order. We made the deal in the second quarter, total €60 million. And €31 million of this order has been booked in the second quarter and then €29 million will be booked in the third quarter. Hiab sales grew by 22%

and were €358 million in the second quarter. Excluding the Effer acquisition, which took place end of last year, the Hiab sales growth would be 14%.

Like Mika said, also the supply situation has been gradually improving or continuously improving in Hiab. But like said, we see still potential to improve in certain areas there. We had excellent service sales growth, plus 14%, year on year, coming both from North America as well as from Europe. The acquisitions did not have any major impact on service sales growth.

Operating profit, record high, almost €51 million for the quarter, plus 29% improvement compared to last year. And the profitability improvement is very much coming from the good improvement in sales.

Then moving to MacGregor where the performance was unfortunately very weak. The market recovery, like Mika said, has been postponed. The orders were down by 11%. Customers are very much spending their available funds, for example, to comply with sulphur emission regulations, so very low investments for the new-build ships. Especially the cargo handling and offshore orders declined in the second quarter. We saw growth in RoRo orders even though the comparison point was also fairly low in last year's quarter two. The positive thing was that despite the difficult market situation, the service orders grew actually nicely and were 19% up from last year's level.

MacGregor sales declined by 5%, and operating profit was €11 million negative. There were a couple of reasons driving this weak financial performance. First of all, the low sales impacted the profitability. We had some offshore project cost overruns during the quarter. And then also the capacity utilization was fairly low in the offshore division during quarter two. And due to these reasons, we will look further into cost optimization and address the productivity going forward.

Then let's have a look on overall Cargotec financials. If we look at the six months' performance, solid growth in orders; very good order backlog, like said earlier, up of almost €2.1 billion. Very solid backlog, offering a good basis for the coming quarter's revenues.

Comparable operating profit improved overall 6% on Cargotec level. And then the reported operating profit after restructuring cost and other items impacting comparability was €104 million, there 40% year-on-year improvement. Our earnings per share were €0.93 per share, and there also 70% improvement compared to last year's first six months.

Then if we look at our cash flow, cash flow continued to improve. Our year-to-date June six months' cash flow is now €72 million versus €23 million a year ago. And the cash flow improvement is coming from basically three sources; improved profitability; then also we have put special actions on inventory reduction, as well as on addressing overdue receivables; and then we received some advanced payments, especially in the Kalmar automation business in the second quarter.

Our financial position is strong. We have currently €456 million unused credit facilities as well as cash at bank. The net debt at the end of the quarter was €876 million, and if we exclude IFRS 16 lease liabilities, then net debt was €698 million. Gearing was 49% excluding the IFRS impact and 62% as reported. Our debt maturity profile is unchanged, so no major significant loan repayments in the coming years.

Our return on capital employed was 9.1% at the end of June. There, nice improvement compared to the end of last year where we had 8%. And the ROCE improvement is coming more or less from the 40% higher operating profit compared to last year.

And last but not least, our outlook for 2019. We reiterate our outlook, which we published in the beginning of the year, and we expect the comparable operating profit to improve from last year's level when it was €242.1 million.

So that's all from my side. And then I would hand over back to Hanna-Maria.

Hanna-Maria Heikkinen: Thank you, Mikko. Thank you, Mika. Now it's time for questions, and we will start with the questions from Ruoholahti.

Erkki Vesola: Thank you. It's Erkki from Inderes. Few questions from me starting by, could you provide us with a wrap-up of the improvement actions and their impact regarding the supply chain issues that you have addressed, especially in the Polish factory?

Mika Vehviläinen: Yeah. Quite a few of those ones, I would say, addressing many of the major areas. The supplier performance in terms of securing better on-time delivery for our suppliers has improved on the last 12 months, although we still experienced some difficulties in certain components. We have been increasing our labour force and the capacity in the factories. We have addressed a number of the bottlenecks in the production, processes and systems as well, and strengthened the management in those factories. So, there are multiple different things. There is not a one single silver bullet, but the multiple process improvements that are still improving the process, but these still have quite a lot of opportunities to improve the situation further.

Erkki Vesola: How long do you think that these actions will still continue?

Mika Vehviläinen: Well, we'll see continuing improvement carrying on throughout the whole year. Some of the improvements, I think, in our supply chain development are more fundamental and will address situation in the long run as well.

Erkki Vesola: Okay, thanks. And then coming to Group gross margins. Should we look forward to stabilised or still continuously declining gross margin on Group level? I mean, are there any factors linked to sales mix, etc. that could affect that?

Mika Vehviläinen: Yeah. In a way, funnily the mix is improving because if you look at the MacGregor where obviously the – generally speaking, the gross margins are lower due to the nature of the business as well, MacGregor was only 13% of our order intake in the Q2 as well, so you actually see the mix improving effectively by the more profitable business areas growing stronger. There, obviously, the services' continuing growth will enable us to drive higher gross margins as well.

Then again, on the automation growth and the project growth in Kalmar obviously has a sort of declining effect and those margins are lower than in services in some of the key product areas. So in that sense, it's a mixed bag, but I would say that there are probably more upsides than downsides in the gross margin development.

Erkki Vesola: Okay, thank you. And finally about the SG&A. It seems to have stabilized quite well. Looking forward, should we expect the same level of SG&A annualized retain, or should it be retained also in the future?

Mikko Puolakka: Yeah. The proxy for the 2019 SG&A cost is approximately €40 million. So yeah, on this –

Erkki Vesola: 40?

Mikko Puolakka: 40, yes.

Erkki Vesola: Okay. Thank you.

Hanna-Maria Heikkinen: Then we will continue with the international questions. So handing over to the operator.

Operator: Thank you. Ladies and gentlemen, just as a reminder, if you would like to ask an audio question, please signal by pressing star one on your telephone keypad. If you are using a speakerphone, please make sure that your mute function is turned off so that your signal may reach our equipment. We will now take our first question. It's from Magnus Kruber from UBS. Please go ahead.

Magnus Kruber: Hi, Mika, Mikko, Hanna. Magnus with UBS. A couple of questions from my end. So first, could you expand a bit on how the year-over-year demand has trended through the quarter? Is there any difference between April and June and how has July started?

Mika Vehviläinen: Yeah. No major changes there. I don't see any trend other than what you see in a quarterly level, on the monthly level either.

Magnus Kruber: Okay, perfect. And in here, I mean, if I adjust for FX structure and large orders, it looks like your underlying organic growth was down mid-single digits. Are those numbers right? And if so, how did your underlying order trend develop in Europe and North America respectively?

Mika Vehviläinen: Well, if you look at the Hiab, the FX had a very little impact. And I think if I remember right, Mikko, about €2 million on Hiab. And obviously, one needs to be careful, you can't kind of exclude the large order and make a comparison point because obviously we have a key account – large key account orders in other previous quarters as well. It's not a – it's higher than what we have seen in the past, but we see fairly large deals happening in the market then, and almost in every quarter as well. So as such, excluding that one is not a fair comparison point either.

Magnus Kruber: Okay. And then finally, your gross margins were very solid in both Hiab and Kalmar. But for Hiab, I think in Q1, we discussed that you would have some improvement from pricing and lower raw materials coming through. Could you discuss a little bit how you saw it coming through in the quarter?

Mika Vehviläinen: I think that primarily the driver still in the Q2 was very much the increase in revenues and the impact of the mix and the pricing was not that significant in Q2.

Magnus Kruber: Okay. So, more in the second half on that then?

Mika Vehviläinen: Yes.

Magnus Kruber: Yeah. Perfect. Thank you.

Mika Vehviläinen: Thank you.

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

Manu Rimpelä: Good afternoon. It's Manu Rimpelä from Nordea Markets. My first question would be on the MacGregor. So, you talked about the weaker market for ordering activity and we can see it also from vessel orders. And if we look at your Q2 level of activity, so are we starting to be in a situation where 2020 equipment sales are unlikely to grow compared to the level that we are in 2019 given the long lag from shipyard orders to your orders and from orders to sales?

Mika Vehviläinen: That's a very good point. If we now expect the ship order quantity to remain roughly at the same trajectory as it's been so far, so we probably end up with maybe 1,000+ ships this year. That will in effect mean that the MacGregor as a standalone equipment business is probably not going to be significantly different in 2020 compared to 2019.

Obviously, there, the ball game is changing from our point of view in terms of combining then the TTS and MacGregor combination. I still believe that we still have good opportunities to drive further growth primarily from services business. As Mikko was saying, we still saw a strong order intake growth in services also in Q2, and now our capability to start to address the installed base of TTS as well. I'm more optimistic about the services sales development this year and also moving to the next year.

Manu Rimpelä: And how do you think around the equipment margins in a situation where then there is no growth in the top line in 2020? I mean – or the other way to ask it around this is, how big is the offshore business in terms of the sales? Can you give a sense of the cost base in that business?

Mika Vehviläinen: The offshore situation is a little bit interesting. We see – have seen for a while the increase in activity levels in there. We see dormant ships putting back to the operations, but the activity has not – as you can see from the numbers, not translated into the order intake as such. It's also good to, of course, note that with the combination of TTS, our offshore exposure will go down. The offshore portion of that – in the TTS business is considerably lower than in MacGregor as such, so the exposure on that side will decline.

But it's really hard to put a finger and I think the visibility on offshore is a question mark for us. And there are a number of things that would drive for better market development. We see an increased activity. But the fact of the matter is, of course, that we have not seen that activity landing our order intake, at least as of yet.

Manu Rimpelä: And can you remind us how much is offshore out of the equipment sales today?

Mika Vehviläinen: In MacGregor, it's been varying slightly from between 20% to 30%. In TTS, it's in the ballpark of 10 percentage points.

Mikko Puolakka: Yeah.

Manu Rimpelä: Okay. And then final question. I mean, how do you see the – getting back to Magnus' question on the Hiab order intake, so how do you see the Hiab order intake – as you said, we can't exclude the large orders. But do you see that the activity remains healthy and we should expect continuing growth in the second half of the year on the order intake based on the demand trends you're seeing at the moment?

Mika Vehviläinen: So, I think the underlying market remains to be strong. Maybe the caution I would have there is that we have now landed in last 12 months a number of large key account orders in US as well and we are going to start to see that pipeline being lower. The underlying equipment business is still in a good shape as well, but potentially we don't see such large orders in the second half as, for example, we saw now on this one. Obviously, the Q3, we will still see the other half of that €60 million order landing in those numbers.

Manu Rimpelä: Okay. And then final question on the EBIT margin of the Hiab business. So, I mean, if we combine the first half numbers and exclude the quarterly volatility in the Q1 and Q2 numbers, so how do you think about – you had 13.3% EBIT margins in the first half of last year and then 12.5% in the second half of this year. So, looking at the moving parts, going into second half of the year, so you will probably deliver more and better margin products with potentially some tailwinds from raw materials. So, I mean, how should we think about the half-yearly margin volatility in the second half compared to the first half of this year?

Mika Vehviläinen: Yeah. First of all, good to remember that the Q3 is also always seasonally weaker for Hiab. I mean, if you go and look at the past year profiles, you always see it's the seasonality variation there. So I'm always a little bit cautious about the Q3 numbers. But obviously, I see the underlying performance improving and impacting favourably, then, especially and should be again visible in Q4 numbers.

Manu Rimpelä: Okay. But basically assume a normal type of seasonality and no major tailwinds from the backlog factors, [inaudible].

Mika Vehviläinen: Yeah. If you look at the profile from previous years and compare that to the current performance, you'd probably be able to get a fairly good understanding where we expect to land.

Manu Rimpelä: Okay, thank you.

Mika Vehviläinen: Thank you.

Operator: We will now take our next question from Leo Carrington from Credit Suisse. Please go ahead. Your line is open.

Leo Carrington: Thank you. Good afternoon. I have a couple of questions. The first on MacGregor, please. When it comes to thinking about the margin and the unexpected negative EBIT development, how much of this was due to the offshore projects overruns? And do you see a scope for a repeat of these costs into Q3 and Q4, or is it perhaps a mix of factors?

Mika Vehviläinen: If you look at the loss of roughly €10 million on Q2, about half of that came from the cost overrun in offshore. It was particularly related to one new technology introduction we did in the offshore area. We booked expected losses in the Q2 numbers now. Obviously, all the new technology introductions have always the risk factor in there. But at this stage, we do not foresee further cost overruns on that one. The other half came really from the weaker-than-expected sales.

Leo Carrington: Okay, thank you. That's helpful. And then, on to software for the company overall. I mean, there's been good momentum I think with orders announced in Cargo Boosts, the Navis partnership with ZPMC, and generally, the growth rate seems to have picked up. How does this compare to your expectations from maybe earlier in the year? And also, do you think you'd be able to update us with where profitability in software is and how you expect that to develop mid-term?

Mika Vehviläinen: The profitability in our software businesses is picking up. I would expect that by the end of the year, the software business should not dilute, at least in a significant way, overall Cargotec business operating profit percentages as such. And that really comes from – primarily from the sales growth happening there. The sales growth in the software business is obviously coming from two primary sources. One is Navis and the other one is the automation-related software. The main growth right now is coming from the automation.

We see a very good business demand and progress in Navis side. But at the same time, the traditional Navis business has been license-based software, and we are more and more transforming into the SaaS-based revenue, subscription-based revenue basis, and that obviously is slowing down the growth in there. But at the same time, the percentage of the recurring revenue in the Navis business is continuously increasing as well.

Leo Carrington: Okay, thank you.

Mika Vehviläinen: Thank you.

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

Antti Kansanen: Yeah, it's Antti from SEB. Most of the questions have already been asked. But maybe coming back to Kalmar and the order trends and the demand outlook in the mobile equipment. The order intake was weaker than in some quarters for a while. And could you just confirm that you don't see any weakening of customer activity or lower trend, and/or is this something that we should take as a benchmark for H2 also? Thanks.

Mika Vehviläinen: No, I don't think – we don't foresee that trend. If I take the mobile equipment first, we had a particularly strong Q2 2018 in US-related, some of the mobile equipment orders. And I think partly the mobile equipment order situation is such that in certain equipment categories, we are now effectively selling March 2020 capacity. So, that's not encouraging any faster order intake as well. That's probably one element in there.

Underlying demand, even I look at the data, we get some sales force, it's still pointing out the strong continuing demand in key categories. And also talking to the port operators, we see still a lot of activity and project acquisition activities going on. It's a timing question. There are certain deals that slipped from the Q2 on onwards as well, so I see this more as as a sort of lumpiness of the project business and some seasonality effect, other than anything else. We have not seen any shift in the customer demand or thinking about the investment at this stage.

Antti Kansanen: Okay, thanks. And then coming back to Hiab's profitability, sorry if this was already asked previously. But if you compare Q1 and Q2, there was a big step-up despite ongoing production issues. So, was there something moving from H1 – sorry, Q1 to Q2? And is the H1, say, a benchmark that we should take into account when assessing the latter part of this year?

Mika Vehviläinen: Yeah. I think Q2 was more, I would say, normalized operation level. We still have further opportunities there to improve the margin. But then again, the Q3 tends to land lower for the seasonality effects, as said. But I think then – and we still have – obviously, foresee further opportunities to drive the underlying operating margin in Hiab.

Antti Kansanen: Okay. That's great. And the last question is on the one-off cost or the restructuring items that you booked for Q2, which I think were quite high compared to estimates. Is there any guidance what we should expect for the coming quarters as well?

Mikko Puolakka: These one-time costs were related to – or restructuring costs were related to this company-wide restructuring program. And then we have some continuous productivity improvement programs in our business areas, including, for example, also MacGregor. So, those are the restructuring costs we booked in the second quarter.

For the rest of the year, we don't, at this point of time, give any guidance for the restructuring cost because we need to get first the TTS acquisition moving forward, the discussions with TTS and related activities. And after that, we have then better visibility to the restructuring costs, which we can then also more open to the publicity.

Mika Vehviläinen: It's good to know that because we have been in direct competitive situation with TTS, our visibility of course, and the numbers and operations in detail is not there. After the closing, we will obviously have a chance to form a better picture on the synergy plans. And then, at that stage, probably are able to give you a better guidance on the expected restructuring costs and timing of those ones.

Antti Kansanen: Okay, sure. But if you would exclude any potential TTS-related ones and then just focus on the same things that you have already booked costs, is there something left from those programs?

Mikko Puolakka: Yes, there will be still some left for the third and fourth quarters as well.

Antti Kansanen: All right, fair enough. Thank you.

Operator: We will now take our next question. Please go ahead. Your line is open. May I just remind you to unmute your line, should it be muted?

Tom Skogman: Yes. This is Tom from Carnegie. I have questions for all divisions. I'll take Hiab first and then follow with other ones. So, Hiab orders have been now basically flat for three quarters, signaling some countries are up and some are down. So, can you please highlight where you see the biggest growth and where you see the biggest decline in order activity?

Mika Vehviläinen: Tom, were you referring to the orders or –?

Tom Skogman: Orders, yes.

Mika Vehviläinen: I think that –

Tom Skogman: The last three quarters are more or less on the same levels. So, I guess, when you look at – where do you see that the market still is growing and where is it falling basically?

Mika Vehviläinen: I think, overall, we still have seen underlying growth in US. I mean, if you look at the orders, and obviously we will have seasonal impact on those ones as well, so the year-on-year comparisons are, in that sense, fair as well. We had a strong Q4, but we typically have a strong Q4, and then we had a strong Q1. And again, Q2 on year-on-year basis growth.

I would say that overall, the growth has been pretty evenly split between North America and Europe. Where we see weaknesses is actually few softer spots in Europe, in Q2, we saw certain softness continuing in Sweden, which has been an issue for a little while. And for reasons I don't actually know that much in detail yet is the Benelux had a slightly softer outlook, as well as in Denmark. But the rest of Europe actually, as you saw, the overall numbers in Europe were still strongly up, year on year.

Tom Skogman: Okay. Then I wonder about TTS, whether you have had any chance yet to look into the health of the order book. It's been a very long discussion with the competition authorities and the order book might have changed a lot during this year though.

Mika Vehviläinen: No, obviously, with the competitive status and which still is in force until 1 August, we have no direct visibility in the order backlog. And that's obviously one of the first things we will do after the closing.

Tom Skogman: Yeah. But can you give some indications about, at least, the sales impact now for the coming quarters?

Mika Vehviläinen: Well, I think you would probably – your visibility is probably a little bit as good as mine in terms of looking at what the TTS has been reporting in the overall numbers. It's also good to note, by the way, that in TTS numbers, they have consolidated the Chinese joint ventures entirely. Our plan is not to do so.

So, if I remember now right, and I'm looking at my colleagues, about 30% of the TTS revenues are coming from the joint venture. We will not book that in our books on top line, and obviously, then we will proportionally book to operating profit. So what you will see effectively happening is that the proportional operating profit will go up, but the overall revenue will be slightly smaller than what the combined operation otherwise would have been.

Tom Skogman: Okay. And then finally about Navis and this agreement with ZPMC, so could you help us to understand this – your strategic thinking here because, obviously, Navis is a great argument by Kalmar equipment as well. I guess, that was one of the reasons why you acquired that and now you tried to team up with your worst competitor here. So, can you help us to understand your strategic planning?

Mika Vehviläinen: Yeah. First of all, the ZPMC contract was nothing new. It was a renewal of the existing strategic agreement that Navis has in place. Navis is a software business. It operates horizontally. It cooperates with all the major competitors of Kalmar. So, there are a number of joint projects with Konecranes, for example, as well as ZPMC. So, we are providing the – we are, by far, the market-leading TOS operator and hence we interface with all of the different automation and other manual systems in there. And like any software leader, it means to also cooperate with all the major market players.

In the ZPMC's agreement with Navis, it's especially important for us in China where obviously ZPMC has a very strong position in overall project and ports. And that then enables, of course, Navis to have respectively a very strong position in the Chinese market, as well as in those very large Chinese-dominated port programs that they are expanding into globally as well. And that enables effectively Navis to piggyback on the ZPMC large projects globally, and especially in China.

Tom Skogman: Okay. And then finally, about Kalmar and order prospect in Singapore where they're moving the port outside of the city and we have seen now many Asian suppliers announcing very large orders from this. Do you have any hopes of booking some orders as well?

Mika Vehviläinen: I wouldn't like to comment on individual customer cases. But the PSA, which is the port authority in Singapore, is a very particular operator, which has a very particular buying patterns and, generally, very tailored solutions and does not represent the normal – I would say, normal buying behaviors in that sense. And hence, I'm always a little bit cautious about the prospects related to those projects.

Tom Skogman: Okay, thank you.

Operator: We will now move to our next question from Johan Eliason from Kepler Cheuvreux. Please go ahead. Your line is open.

Johan Eliason: Yeah, good afternoon. It's Johan at Kepler Cheuvreux. Just a question. I might have missed it a little bit here. I think last year you talked about this supply issue bringing up your net working capital by €150 million that's expected to be released this year. So far, have you released anything of this, related to this specific issue?

Mikko Puolakka: Yeah, we have released some few tens of millions of euros, but not amounts like €150 million. One has to take into account also that if we look overall Cargotec sales, and especially the Kalmar mobile equipment, as well as Hiab sales, so our businesses have been growing also quite significantly over the last 12 months. So, that growth inevitably ties up certain working capital. But from the improving supply chain situation – through the improvement in the supply chain situation, we have been able to reduce a couple of tens of millions of euros from the working capital.

Johan Eliason: Do you think you will be able to release up to €100 million this year?

Mikko Puolakka: It depends, of course, on the going-forward working capital situation. But like Mika said also earlier, there are certain longer term or fundamental changes and improvements what we can do and envisage to do also in our overall operations. And there, we see very good potential to reduce the working capital.

Johan Eliason: And then I think you said something about €40 million annual level for SG&A. But you mean corporate overheads, don't you, or what's the €40 million otherwise?

Mikko Puolakka: Yeah, these are the corporate unallocated costs. Correct.

Johan Eliason: Yeah. That’s – okay. Good. Thank you. That were my questions.

Operator: Thank you. We will now take a follow-on question from Manu Rimpelä from Nordea. Please go ahead.

Manu Rimpelä: Thank you. I would have a follow-up question on MacGregor. I mean, how do you think around the full-year profitability, given that the Q2 saw a very sharp decline and it doesn't look like there should be expected any significant change in the level of sales for the offshore business? Should we assume that stripping out the cost overrun, we should be running at the similar type of level for the second half of the year in terms of losses? And once the cost savings measures start to kick in, at some point, it will gradually start to improve. But will that happen already this year?

Mika Vehviläinen: We expect whole year in MacGregor to end up in a loss, a slight loss situation, but we don't expect the profitability to be as poor as it was in Q2 in the coming two quarters.

Manu Rimpelä: Okay, thank you.

Operator: Ladies and gentlemen, just as a reminder, should you wish to place an audio question, please signal by pressing star one on your telephone keypad now. We will now move to an audio question from Magnus Kruber from UBS. Please go ahead.

Magnus Kruber: Yes, a follow-up from me here. How do you see – in here, how do you see the competition in the US forklift market developing now, when your key peers are more competitive offering than before?

Mika Vehviläinen: We see our market share to remain very strong and the order book to remain at a very healthy level. I haven't seen any significant changes. We've been able to secure, I would say, all the major key account business in US within this year.

Mikko Puolakka: And the recent €60 million forklift order is a good example of excellent solutions what we can offer to the customers.

Magnus Kruber: Okay. So, no pressure on pricing or anything like that that you've seen emerging?

Mika Vehviläinen: No, not really.

Magnus Kruber: Perfect. Thank you.

Hanna-Maria Heikkinen: Continue with the question from Ruoholahti.

Erkki Vesola: Thank you. It's Erkki from Inderes again. I don't want to be a drag or anything. But coming back to the SG&A, I'm talking about the selling, general and administrative costs that you show on your Group P&L. Is the current, say, 12-month run rate, it’s something that is going to be there also going forward?

Mikko Puolakka: Yeah. If we are looking at the next few quarters, that would be more or less the run rate level, yes. But of course, exclude – that comment excludes any impact from the TTS acquisition.

Erkki Vesola: Of course. And then finally, about the Hiab orders. I don't know if I missed this one. But how much was the Effer impact on the Q2 orders? The impact was something like 6%, wasn't it, in Q1 on growth rate?

Mikko Puolakka: Yeah. Just a second, I'll check the exact number. So, Effer – and you're asking quarter two impact?

Erkki Vesola: Yeah.

Mikko Puolakka: So, the Hiab orders grew 13%, and then excluding the Effer, the growth was 6%.

Erkki Vesola: Okay. Thank you very much.

Operator: Ladies and gentlemen, as a further reminder, should you wish to take an audio question, please signal by pressing star one on your telephone keypad now.

There are no further audio questions at this time on the telephone. Thank you.

Hanna-Maria Heikkinen: Okay, thank you so much. Then it's time to close this news conference. Thank you for joining this. It's finally sunny in Helsinki. And our Q3 report will be published on Tuesday, 22 October. Thank you.

Mika Vehviläinen: Thank you.

Operator: Ladies and gentlemen, that now concludes today's conference call. Thank you for your participation. You may now disconnect.