

**Aki Vesikallio:** Welcome to Cargotec's third quarter results call. My name is Aki Vesikallio, I'm from Cargotec 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. And please pay attention to the disclaimer in the presentation, as we will be making forward-looking statements.

Strong performance continued in our core businesses Kalmar and Hiab. And we achieved, again, all-time high comparable operating profit. Also, orders received increased in all business areas. But on the other hand, we expect that supply change challenges and market uncertainties will continue also going forward. As we already achieved our 2021 comparable operating profit level, we specified our outlook for 2022, and we now estimate that our comparable operating profit will improve by 88–118 million, compared to 2021. With that, over to you, Mika.

**Mika Vehviläinen:** Thank you very much, Aki, and good afternoon for my behalf as well, and thank you for joining the Cargotec Q3 '22 call.

As Aki said, our strong performance continued also during the Q3. As you know, the Q3 is typically the weakest quarter for us in the year, due to the seasonal fluctuations, and being able to deliver such high revenues as well as a record operating profit during the Q3 was a very good achievement from us.

I'm especially happy to see a strong performance in our services business, where the strategic focus is clearly delivering results for us, and our services businesses grew by 22%.

Even more delightful is the great progress we are making in our eco portfolio. The eco portfolio revenues have actually now increased by almost double, 97%, and are already representing 27% of our revenues. The investments we have done in the technology and services to drive the sustainability in our industry, together with the fast change in landscape where our customers are more and more under pressure regarding sustainable solutions, is clearly delivering results for us.

Looking at the market and overall, first of all, what we see from our operating equipment data, connected all over the world, the high-capacity utilisation is still continuing. We saw a slight decline sequentially, from Q2 to Q3, which is, of course, partly explained by the seasonal variation. Overall, we see the stabilisation of the data, also year on year.

Obviously, a lot of the equipment is now running at the capacity, and as we are now able to deliver more and more new capacity on stream, we accept those running hours to stabilise at a relatively high level at this stage. Overall, obviously, the market uncertainty is increasing there.

If I look at some of the key indicators for us, the container traffic is still growing, the container shipping traffic is still actually almost at the full capacity utilisation, we still see congestion continuing in the ports. Overall, we expect that the container traffic is still growing during Q4, as well as during the next year.

We start to see some slowdown in the building sector and construction activity at the moment, and obviously, such as housing starts. I think it's also important to remember that, when you look at some of these statistics, and we start to see potentially some decline in some of the indicators as well, we start to decline from historically high levels. So, if you look at it sort of the absolute numbers now, in number of the indicators, over the last six-seven years, we are still operating at a very high market activity in many of the segments as well.

In the ship side we see slowdown, in ship contracting, this was to be expected. The shipyard capacity starts to be full, due to the very high contract activity in '21 and early part of '22, and that together with the higher prices and inflation in, for example, steel prices is clearly slowing down the ship orders there as well.

Our orders increased in all businesses and to a new record high as well. Now, putting that in context, one needs to remember that there is some positive impact there coming from currencies, and also from the inflation now. Overall, one would estimate that our equipment pricing is about 10% higher than it was in the respective quarter in 2021. So, overall, in terms of the volume of the equipment, one starts to see stabilisation of order in intake, but the order and the demand is still continuing at the strong level. When I look at our sales finance forward and the performance year-to-date, we still see the strong demand curve continuing at this stage.

This strong order performance is bringing a new all-time high in terms of our order book, which now stands at 3.7 billion, and obviously, this gives us an excellent starting point going into the next year. We see no activity in terms of cancellations at the moment, I think the capacity utilisation runs still very high, and obviously, the increase in prices and the inflation is also giving us some protection in terms of the cancellation, together with the different contracts that we are renewing, including penalty clauses, et cetera.

Again, as I said, the Q3 tends to be our lowest quarter in a year, and the fact that we were able to deliver such a strong performance in terms of revenues and profitability owes a great thank you for all the people in Cargotec who have worked very hard to be able to make this happen, despite the continuing challenges in our supply chain.

We still see those supply chain issues continuing into the Q4 and at least the first half of next year as well. So, we are in no ways sort of out of the woods, in terms of those challenges, but we work very hard to enable those deliveries to happening.

Very satisfied with the services. This, of course, has been our strategic focus area for a number of years now, and very clearly, the high equipment running hours and especially the work we have done in terms of self-help and driving higher spare part capture rates, better services performance, better utilisation is delivering results for us, and the sales, strong sales growth was visible in all of our different business areas.

The Cargotec strategy focus remains in solving and being the global leader in sustainable cargo flow for our customers. We are solving the logistics industries sustainability issues by investing into technology and delivering better services for our customers.

Now, exactly, almost six months ago, two quarters ago, we announced the refocused strategy, and we are now actually executing on that one. The refocused strategy had three elements on that one: strategic evaluation of MacGregor business, plan to exit the heavy crane business in Kalmar, and review the operational model to support refocused group. Now, already last quarter, we were able to announce the strategic exit from the heavy crane business in Kalmar, and we are now in final phase of asset transfer in there, the deal is effectively now done from our side.

During the Q2 and Q3, we were able to conclude this review in our operational model to support the refocused group. The work in MacGregor strategic evaluation is continuing and progressing, and we will update the market when we have any conclusions from that one.

Regarding the operational mode changes, we are actually making our businesses more independent, owning more of the capabilities in-house to be able to drive focused strategic

performance and deliver results. As a result of the changes in operational mode, we are moving more than 100 persons from the group focus areas into the business areas.

In Cargotec, we have very successfully developed and driven our digitalisation and technology developments, partly through the central capabilities in our group level. Now, we believe that our actually development is mature enough to be able to move all of those assets, and especially the great talent we have in our digitalisation and technology capabilities, directly into businesses where the alignment and sort of integration into our customer-facing activities will be even better. We are also moving all sourcing activities, including direct, as well as indirect sourcing, into the business areas, for them to be able to drive that more effectively. And sustainability and technology functions are also moving to a great extent into the business areas.

Now, from group point of view, this means that Cargotec will be more and more focused only on the listed company duties, as well as then providing the back-office services and processes for our business areas.

The investments that we have done in technology and development and services are now clearly yielding results, as you can see from our numbers, and we keep on sort of going down that road. Our R&D investments grew again, about 7% in Q3. Couple of examples of that one.

In Hiab, we are really looking to sort of go into the new application areas as well, to sort of build more resilience into business, and one important breakthrough for has been a rail segment that has been in, not been a sort of a strong point for Hiab in the past, and we have achieved major breakthroughs on that one. In solving our customer climate challenges, we are delivering increasingly market-leading capabilities. For example, more than 500 Kalmar hybrid straddles. Just to give you an example, those 500 hybrid straddles now operating are yielding more than 400,000 tonnes of CO2 savings in our customer operations. And we keep on investing in the innovation and transformation and be very focused on providing sustainable solutions. A great example of that one is that the first in our industries, Hiab has now introduced the first products that are built from the fossil-free steel.

Last but not least, our services are performing very well, and we keep on adding and driving more advanced services. An example of that one is the new Hiab HiPerform services that enables us to drive the customer optimised performance and help them to be even more effective and even more sustainable in their operations.

And with that one, I'd like to hand over to Mikko, who will cover the financials and the business area performance. Mikko.

**Mikko Puolakka:** Thank you, Mika. And good afternoon also from my side.

Let's first have a look on Kalmar, where we had an excellent performance in quarter three. Solid demand continued in quarter three, even when taking into account that we were still partially limiting our terminal tractor order intake during the quarter.

Kalmar orders grew by 12%, and it's also good to remember that we had last year in quarter three roughly 25 million euros heavy cranes orders. So, on like-to-like basis, Kalmar quarter three order growth was as high as 19%.

This is also the first quarter for a while when Kalmar order book declined slightly from the previous quarter, thanks to good delivery volumes. Kalmar sales grew by 40% year-on-year. Deliveries progressed well in all divisions, including also services, despite continuing

challenges in getting components on time, and in needed volumes. We have seen also delays in transportations.

If we clean the currency impact from sales growth, the quarter three sales growth would have been 33%. Out of this 33% in Kalmar, roughly one third comes from price increases, and two thirds from volume growth. So, strong, strong deliveries in quarter three.

Kalmar's profitability improvement was very much driven by volume growth. And then, if we look the kind of new Kalmar setup, so excluding the heavy cranes, Kalmar quarter three comparable operating profit was close to 11%.

Then, moving to Hiab, which also delivered a very good quarter, despite quarter three being often seasonally the lowest quarter within the year.

Like in Kalmar, demand in Hiab was robust across all Hiab divisions. Like Mika mentioned, Hiab launched also some new products during quarter three, like the RAIL loader cranes, and these have been attracting also good demand from the market. Hiab sales was up by 23%. Here, the currency impact was approximately five percentage units. In Hiab, we were able to deliver both equipment and services reasonably well, despite the continuing component and truck chassis availability issues. And in Hiab also, the profitability improvement was very much driven by the higher delivery volumes.

Moving to MacGregor, which had another good quarter in the order intake, after the 301 million of orders, which we won in the second quarter. In MacGregor, the orders growth was very much driven by merchant vessels, like car carriers, as well as then services had a good quarter as well. MacGregor order book starts to be now on a very good level, it's already 57% higher than a year ago.

However, the quarter three sales was still a fairly small number or low number, due to the fact that the past quarters' higher orders start to generate revenue more or less starting from the second half of 2023.

Merchant vessel and services profitability improved year-on-year, while the low margins in certain offshore wind projects still continue to dilute the overall MacGregor results. If we look MacGregor year-to-date September comparable operating profit, that was minus 1.1%. However, when we exclude the offshore wind business, which has been very low profitability, MacGregor year-to-date comparable operating profit would be 4.2% positive.

Couple of highlights from quarter three. Our order book continue to increase, and like Mika said, these 3.7 billion euros will provide a good basis for our 2023 revenues. We start to have a sizable eco portfolio revenues, almost 700 million euros year-to-date. This is 51% year-on-year growth. Our comparable operating profit has developed nicely, up by 31%, very much driven by the good performance in our core businesses, Kalmar and Hiab.

The core businesses' quarter three comparable operating profit was 10.6%. It's good to remember that this number includes also all Cargotec Group overhead. So, taking a very prudent view on that profitability.

We booked, unfortunately, still 43 million euros items affecting comparability in quarter three, 11 million of this is related to the heavy cranes exit, which we announced in the second quarter, and in that connection, we also said that in the third quarter we would book certain costs still related to that exit. This 11 million is related to project-related liabilities. Additionally, in order to be prudent, we have booked in MacGregor an 18 million euro provision. This provision is related to MacGregor's US government related business.

Our quarter three cash flow was good, and this was very much driven by mainly Kalmar and MacGregor orders-related advanced payments. Despite the good cash flow, our networking capital is still very much high, higher than it should be for the kind of current volume levels. Inventories, especially work-in-progress, as well as goods in transit, those have been the biggest reasons for abnormally high networking capital. These inventory items have been very much impacted by component shortages, as well as earlier mentioned transportation delays.

Despite having a higher networking capital than normally, we have a good liquidity situation. At the end of September, our cash was 432 million euros, and committed long-term unused credit facilities were 300 million euros. Our gearing has continued to improve, now 30%, very much driven by good cash flow, and this is very well within our 50% target. The average interest rate on our loan portfolio was 1.3% at the end of September, and we do not anticipate this dramatically to increase, due to the fact that approximately 60% of our debt is with fixed interest rates.

Due to the strong quarter three, we have specified our full year outlook: we expect the full year to be at 320 to 350 million euros comparable operating profit. This would mean that our full year result would improve by 88 to 118 million euros from 2021. We have a relatively wide range in our guidance, and this is simply due to the fact that we do not anticipate any improvements in the supply chain, compared to previous quarters. Therefore, the deliveries to customers may be delayed with a short notice and if we don't get the needed components. And naturally, should these kind of delays come, those could have a direct impact then to our profitability.

So, a short reminder about our capital markets day before we finalise. So, we have a capital market day on 15th of November, and warmly welcome to that event.

**Aki Vesikallio:** Thank you, Mikko, and thank you, Mika. So, operator, we are ready for questions.

**Operator:** Thank you, sir. As a reminder, if you'd like to ask a question, please press star one on your telephone keypad. To withdraw your question, please press star two. We'll take our first question from Massimiliano Severi from Credit Suisse. Your line is open please go ahead.

**Massimiliano Severi:** Yeah. Hi. Hi everyone. Thanks for taking my question, and congrats for the quarter. My first question would be on the Kalmar business, and on the 9.7% margins, I was wondering whether now the price cost issues that you had in the past are fully normalised, or there are still some pricing that has to come through. And secondly, if you could maybe comment on how much of the large cranes orders are left to be delivered after Q3?

**Mikko Puolakka:** Yes, in Kalmar, I would still say that the, like said, the quarter three performance was very much driven by very high volumes or improved volumes. We have been increasing prices, but in Kalmar, we still have fairly long lead times for the products. So, I would say that we have been able to maintain the kind of cost and customer price ratio on a healthy level, but it's a kind of continuous, constant, kind of, catching up and fighting against inflation. What comes to the Kalmar heavy cranes order book, we are talking about roughly 80 million euros of order book. We expect to deliver most of that during next year.

**Massimiliano Severi:** Perfect. Thank you. And my second question would be more at a company level, so both Kalmar and Hiab. You mentioned the price increases of around 10% year on year. I was wondering whether you could comment on the price increases that you

actually see in your backlog. So, what could we additionally see going into Q4 and Q1 in terms of pricing?

**Mika Vehviläinen:** Overall, if I look at our pricing from '21 to a year-to-date, now at the moment, we have increased our prices roughly about 20% in our equipment business. As Mikko was saying, at the same time, we see continuous inflation and pressures, and at some stage, I guess I at least was expecting that some of that would start to ease off when we move to the second half of this year. But very clearly, we still, despite the raw material decreases, there are other drivers that are still driving the pricing pressures for our component higher, and we have now actually done already number of pricing increases since the Q2 to, sort of, answer those ones. So, to a large extent, we've been able to defend our margins on that one. The other aspect in the margin is the sort of inefficiency in our operations, because due to the supply chain issues, you have not sort of been able to deploy, for example, all the direct staff all the time. So, the indirect cost has also sort of increased somewhat, and that has had a slight negative impact on the margin. We've been able to sort of, counteract those pressures also by delivering higher volumes.

**Massimiliano Severi:** Perfect. Thank you. I'll go back in the queue.

**Operator:** We'll take our next question from Magnus Kruber, from UBS. Your line is open. Please go ahead.

**Magnus Kruber:** Hi, Mika, Mikko and Aki, Magnus here from UBS. Staying with Kalmar and the margins there. I mean, it was a very strong quarter, obviously, the Q3, but how do you see, how do you see the, I think in Q2, you commented about adverse mix going into Q3, did that materialise at all, or there is something we should expect to see more into Q4?

**Mika Vehviläinen:** I think it didn't materialise quite as badly as we maybe were expecting. The deliveries overall in Q3 were higher than we expected. There were, for example, one large 20 million delivery that was expected to be materialising in Q4, and we were able to slip that already in Q3. But it's good to remember that the core Kalmar business going forward has actually delivered over 10% operating margin for the last six-seven years overall, and there are a number of measures taking place to be able to drive that to a higher level going forward as well. So, when the proportion of the heavy crane business is declining now quite quickly, as Mikko was pointing out with the backlog declining, one should expect overall Kalmar margin to sort of start to clearly improve as well.

**Magnus Kruber:** Okay. Got it. So, there was some negative impact, but not as bad as anticipated, and going forward it should get better, that's the conclusion basically?

**Mikko Puolakka:** Yeah, in Kalmar's case, like mentioned, if we exclude the heavy cranes in quarter three results, Kalmar quarter three comparable operating profit would have been almost 11%. So, heavy cranes was diluting to a certain extent Kalmar results, and that continues still to be for some while, until we have delivered that order book.

**Magnus Kruber:** Okay. Got it. Thank you. And then, just generally, I mean, Q3 again, solid quarter, how should we think about seasonality into the fourth quarter?

**Mika Vehviläinen:** It's a very good question, because it was an, in a way, odd Q3 for us. We typically, as you know, we don't deliver such a strong Q3, but with the backlog and a lot of very hard work from the organisation, and I would say maybe a slight sort of easing off of some of the supply chain issues, but they're still considerable, that helped us. And you saw in our guidance for the Q4 as well, and as you saw, the guidance was actually fairly wide in that sense. And I think that tells you the story about uncertainty and the fragility of our supply chain at the moment. So, I think we will land somewhere between those numbers, but it

really depends on how well are we able to deliver, and especially how well are we able to receive the components during the Q4.

**Magnus Kruber:** Absolutely. Got it. Thank you so much.

**Operator:** We'll take our next question from Johan Eliason at Kepler Cheuvreux. Your line is open. Please go ahead.

**Johan Eliason:** Hi, it's Johan here at Kepler Cheuvreux. Just a question, you mentioned service orders were up 20% in the quarter, I guess there's currency impact on that. Could you just sort of indicate what the service growth excluding currencies would be? And then, on MacGregor, obviously, a good order level, but slightly down sequentially. Now, you mentioned core carriers being big orders, we know that orders are lump before for MacGregor, but it's clearly so that the good order intake right now is quite important, considering the divestment process you are in. Are we still seeing a very solid pipeline from the huge container shipping boom of last year? Or what's the outlook for MacGregor order intake in coming quarters?

**Mika Vehviläinen:** Johan, I take the second question first and Mikko digs the numbers on the services. So, yes, I mean the large order boom on the '21 and also the sort of large level of orders in the beginning of this year will carry the MacGregor. The time from the ship order to our equipment order has been longer than we expected, and for a number of reasons. So, I think we will still see a good order uptake regarding the containers, and as we already said, a good demand with a car carrier fleet as well on that one. As you also, Johan, pointed out yourself, it's a lumpy business, so you never know how every quarter will, but I would say there is still quite a few miles left from the large order boom in '21-'22 to turn into our orders. Additionally, I would say that the offshore activity very clearly is up at the moment. It did not materialise into our orders, the orders were, I think, four fifths of the orders there in services and in the merchant side at the moment. But I think there is a material chance that we see improvement in the offshore demand as well, moving into the next year. Mikko, the services question.

**Mikko Puolakka:** Yes, coming back to your services question, so the currency impact on services, orders and revenues is approximately 5 percentage units during quarter three.

**Johan Eliason:** Okay. Excellent. Thank you very much.

**Operator:** We'll take our next question from Panu Laitinmäki from Danske Bank. Your line is open. Please go ahead.

**Panu Laitinmäki:** Thank you, it's Panu from Danske Bank. I just have two questions on MacGregor still. Firstly, on the profitability, I think you have had this problem project burdening profitability. What is the state of this, do you expect to kind of end when we go into next year? And then, secondly, about this provision that you made, just wondering what is this, and is there a risk that the provision wouldn't pay enough, and this could somehow escalate?

**Mika Vehviläinen:** Yeah, if you look at the MacGregor, I think it's first good to note that the revenue is still at extremely low level. I mean, historically low levels at the moment. So, the order intake we have now started to see coming has not turned into revenues, and the fact that we are able to deliver a black sort of comparable operating number with such a low revenue is a good achievement, and that's coming really from the good progress we have made in services, and also the fact that the merchant marine is improving, despite the fact that the revenues in there are still level. And as you said, the challenges are clearly in offshore side, those projects are sort of progressing, and I think their impact into the next

year will be significantly lower than it has been for this year. Simply, I think we will see, start to see a different mix, and as Mikko was pointing out also, we will start to see the revenue improvement moving into the '23, coming from the order backlog as well. So, I think it will be less of an issue clearly, moving into the next year. Regarding the potential penalty feeds related to a US government project, there were some issues regarding the document handling of that one. This is our prudent estimate of that one, and at this stage, that's our best understanding of the potential penalty level.

**Panu Laitinmäki:** Okay, thanks. Can I ask about these projects, so is this kind of an obstacle for the divestment, so that you need to complete the projects first, before kind of trying to sell the asset, or how do you think about it?

**Mika Vehviläinen:** No, it's not actually. The project itself is, I think, fairly far down the road. It's not particularly large project, but in these kinds of issues, the penalties are not directly tied into the size of the project actually. So, we expect to sort of, either have it solved or covered as a part of the potential exit of the MacGregor then.

**Panu Laitinmäki:** All right. Thanks.

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

**Antti Kansanen:** Yeah. Hi guys. It's Antti from SEB. Just one question on demand, and obviously, the volumes regarding orders are still holding up on a fairly high level, and you mentioned that you are still pushing through some price hikes. So, if you look at the businesses, which you would yourself think that react first to a downturn, are you seeing any kind of a negative sequential or within-the-quarter weakening? And have you seen any kind of pressures on getting the price increases through to your customer base? So, any cyclical weakness that you are seeing at the moment?

**Mika Vehviläinen:** We are still seeing the strong demand continue. Now, of course, it gets a little bit more tricky, because the inflation is kicking in, so as I already indicated actually, kind of on the actual volume and Hiab and Kalmar order increases were a little bit less moderate, but still very strong demand obviously there. If I look at our internal indicators and what we see, we see no signs of decline actually, for example, in Kalmar, the 90-day sales funnel is actually continuing to be at the very high level. So, obviously, we are fully aware of the market uncertainties, as everybody is, but it's not visible in our own demand. The second question is a very good one. We do start to see more pushback in pricing increases, I think, and it's a little bit funny situation, because obviously people start to see the raw material pricing declines already happening, for example, in steel, then again, the energy costs are going up, the labour costs are going up at the moment, but clearly, the acceptance for the marketing price increases in the last couple of months has been, the resistance has been higher than it has been in the past, but we are still able to push then through.

**Antti Kansanen:** All right. And then, I guess you mentioned kind of the supply chain issues, you expect them to continue, was it first half of next year. So, is this more kind of a broad level assumption or kind of, what are you seeing there, and should we also think that this will kind of continue with the same, with the inflation, that even though the price increases are improving the delivery mix, you're still kind of seeing volatile and increasing costs throughout first half of next year?

**Mika Vehviläinen:** Yeah, I wouldn't at least trust on improvements on that one at the moment. As I said, there is a, if you want to be on an optimistic side, you probably see there's slight easing off on the supply chain. And obviously, you see our revenue numbers. But to a great extent, it's still a very fragile situation. And, you know, from day to day, and



from component to component, the situation can change quite dramatically as well. There is still Covid impacting our suppliers, for example, you have labour shortages coming from that one, another labour shortage issues. I think the energy situation in Europe might have some sort of surprises for us this coming winter as well, not directly for us, I think our energy situation and supply seems to be pretty well guaranteed, but again, the supplier base is probably more under sort of threats there as well.

**Antti Kansanen:** Sure. And then, perhaps last, the housekeeping question regarding kind of the one-off costs. What's the guidance for Q4, how much is left on the things that you have guided from before?

**Mikko Puolakka:** For the full year, we estimate that our restructuring costs would be approximately 65 million euros from the ongoing communicated initiatives. So, for quarter four, we anticipate lower costs on these initiatives. This does not include any MacGregor strategic evaluation related, possibly related costs, if we have a conclusion on that during quarter four.

**Antti Kansanen:** All right. Thank you.

**Operator:** We'll take our next question from Massimiliano Severi from Credit Suisse. Your line is open. Please go ahead.

**Massimiliano Severi:** Yeah. Hi, thank you for taking my follow up. My follow up would be on the cancellation side. And you mentioned that you didn't really see an uptick in cancellations in the quarter. I was wondering if you could maybe comment on, first, how much of your backlog contains cancellation clauses, and secondly, if historically you could comment on how many cancellations did you see during past downturn across Kalmar mobile equipment and Hiab?

**Mika Vehviläinen:** I would say, generally speaking, when I look through the different situations we've been through, including the financial crisis looking at the Covid, we don't actually see significant changes in Kalmar and Hiab in terms of cancellations. What was visible during the financial crisis was the heavy cancellation business in the shipping side, but we have not seen significant cancellation waves going through with the Kalmar and Hiab business. If you started the Hiab, it's good to remember that the, usually, the Hiab product is attached to a truck, the truck is also ordered, it usually serves specific service or business in there. And I think people are waiting for that one at the moment. So, also, as I already said, the inflation is a pretty good sort of safeguard on that one as well. We have introduced increasingly more cancellation clauses in our contracts as well at the moment. I can't give you an exact number on that one.

**Massimiliano Severi:** But just, if you could comment just maybe on the magnitude, would it be more than 50%, less than 50%? Just to give me a broad understanding.

**Mikko Puolakka:** Yeah. Difficult to give an exact percentage. I mean, also during the past, we have had cancellation clauses in our contracts also in Hiab and in Kalmar. What has happened now during these last 18, or yeah, more than 18 months, when the prices have been picking up, inflation has been picking up, and the demand has been picking up, we have been strengthening or kind of making those cancellation clauses even stricter, meaning that there are higher penalties in monetary terms for cancelling the orders.

**Mika Vehviläinen:** I think, generally, when you look at the indicators, one thing, of course, to watch out when you start to be potentially more worried about those ones would be, for example, the ready-made products inventories, and for our dealers, and when you look through our dealerships at the moment and dealers, the yards are empty, unless in some

Hiab cases, they are waiting for that truck to be delivered. So, everything we are able to deliver goes into the operations right now.

**Massimiliano Severi]:** Okay. Thank you. Very clear. And maybe my second follow up would be on the services business of Kalmar and Hiab. I was wondering if you could give us a sense of how different the margin for services compared to achievement, would I be looking at something like 20% for the margin of the service business, or is it more similar to the divisional level overall?

**Mika Vehviläinen:** I'd like to keep you in excitement on that one, so if you are joining Capital Market Day, we might give you a little bit more light on that one.

**Massimiliano Severi:** Okay. So, I'll be waiting. Thank you.

**Mika Vehviläinen:** Thank you.

**Operator:** We'll take our next question from Johan Eliason. Your line is open. Please go ahead.

**Johan Eliason:** Yeah. Hi, it's Johan here, again. I'm just curious about this statement, you said you have moved 100 employees into the business lines and making them more independent, et cetera, I mean, these business lines, Kalmar and Hiab, they are very strong businesses on their own, with global market leading positions, decent profitability, et cetera, I'm sure they would be of interest for industrial buyers out there. Is this sort of preparing for the next step to totally dismantle the conglomerate before you retire, Mika? Or how should we see it?

**Mika Vehviläinen:** I think, you know, really if you look at our refocused strategy, I think we have very clear milestones for the next four quarters related to MacGregor exit, potential exit of that one, and the other sort of things that I describe in terms of operating profit, and I think we are now very focused on executing on that strategy.

**Johan Eliason:** Okay, thanks.

**Operator:** We will take our next question from Erkki Vesola from Inderes. Your line is open. Please go ahead.

**Erkki Vesola:** Thank you. Hi, Mika, Mikko, it's Erkki from Inderes. Could you please help us solve the pricing currency and volume triangle regarding Q3 order numbers as well, in both Kalmar and Hiab? You previously talked about Q3 sales alone, I assume. What I'm actually after is, did we see volume drop in Kalmar and Hiab order intake in Q3?

**Mika Vehviläinen:** We did not see volume drop, but we didn't, I would call it stable at this stage. So, if you, this is very round numbers, of course, but let's call it 10% roughly the pricing impact on equipment side. And then, Mikko was stating the currencies. You can repeat that again.

**Mikko Puolakka:** Yeah, it's approximately, it varies a bit between Hiab and Kalmar, but we are talking about four to 5% in orders and in sales, what the currencies provided us tailwind during quarter three.

**Erkki Vesola:** In both Hiab and Kalmar?

**Mikko Puolakka:** Correct. Yes.

**Erkki Vesola:** Okay. Very good. Thank you so much.

**Operator:** We'll take our next question from Magnus Kruber from UBS. Your line is open. Please go ahead.

**Magnus Kruber:** Hi. Thanks for taking my follow up. I think in Q2, you closed your books a bit for terminal tractors for a couple of months. Did you see any catch up on August there in Q3 as you opened the books, it was such a strong effect on trucks in North America in September, for example, when demand came back as truck makers opened their books, did you see get anything similar on the tractors?

**Mika Vehviläinen:** We had our books closed during the Q3 to a certain period of time as well. And we are quite focused now on trying to sort of serve the customers who have direct operational requirements in terms of deliveries. For example, the dealers are not prioritised effectively, and at this stage on that one. It's good to remember when you look at the Kalmar orders, as Mikko was saying, we still had a closed order book for terminal tractor business for the significant period of the time during Q3, then there was one 25 million heavy crane order that we are not offering anymore a year ago. So, if you take those into account, it was quite a significant order intake increase still in the Kalmar side as well.

**Mikko Puolakka:** Yeah. If we take those into account, it's 19% growth on comparable basis, excluding the heavy cranes orders from quarter three last year, 19% growth, and then, if we think that it's approximately 5% currency impact, so we are talking about a 14% growth still in orders.

**Magnus Kruber:** Okay, so, I'm not sure if it's possible to adjust for the period having closed books on the track, is that approximately how much headwind think you saw from that?

**Mika Vehviläinen:** Well, last year we did not, and we probably should have, but we did not have the, we had order books open throughout the whole, so that probably has a fairly significant impact on, material impact, I would say.

**Magnus Kruber:** Okay. Got it. Thank you. And then, I think in last quarter, you said you expected Hiab payment from US Dollar FX to be visible more in 2023. Do you have any sense for what this impact could be at this point? I remember in the past that has been a quite significant tailwind.

**Mikko Puolakka:** Yeah, in Hiab's case, unfortunately, we have not seen a tailwind from the currency in operating profit in a big sense at the moment yet, due to the fact that lead times in Hiab products are extremely, extraordinarily long. We are talking about nine months delivery time still at the moment. And also, in certain product categories, it is even longer, due to the component availability, as well as transportation delays. So, from that point of view, we expect that that would be more visible in 2023 and onwards.

**Magnus Kruber:** And in terms of the magnitude, should it be sort of less sensitive than in the past?

**Mikko Puolakka:** I wish I would have the crystal ball for the US dollar development. But I mean, if we look at Hiab, just the kind of translation impact for quarter three results, so we are talking about roughly 1% tailwind or kind of currency impact in Hiab profitability growth. So, quite small numbers still this year.

**Magnus Kruber:** Okay. Got it. Thank you. Thank you so much.

**Operator:** Once again, ladies and gentlemen, if you want to ask a question, please press star one. We'll pause for just a quick moment to allow everyone an opportunity to signal for questions.

**Aki Vesikallio:** Okay, if no further questions, so thanks for the great questions and great answers, Mika and Mikko. And please remember, the sign up for the Capital Markets Day, the virtual participation is still possible on 15th of November. And our full year results will be published on 2nd of February 2023. So, stay tuned.