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Moderator: Hanna-Maria Heikkinen
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Hanna-Maria Heikkinen: Good morning, ladies and gentleman, and welcome to this news conference. This has been exciting morning for us. Of course, we first published our full year 2017 financial statements release. But in addition to that, we have signed an agreement to buy the major businesses from Norwegian TTS Group. So, in this news conference we will, of course, first go through the group development, and our CEO Mika Vehviläinen will take care of that. Then our CFO Mikko Puolakka will go through the business area development, financials, dividend and outlook, and after that that Mika will continue with this acquisition.

Mika Vehviläinen: Thank you, Hanna-Maria. And good morning from my behalf as well. Thank you for joining for Cargotec 2017 review. First of all, 2017 was a fairly good year for Cargotec. We made progress in many areas although we didn't meet quite all the expectations we have set for ourselves in 2017.

From the operating profit point of view, this was a record year for Cargotec - best operating profit on a quarter and best operating profit in a year on Cargotec's history. I'm especially pleased with the progress we have been able to make with Hiab with the strong growth continuing and further progress also in the operating profit.

Kalmar's sales and orders declined in 2017, and in Q4; this was primarily caused by the decline in large project orders and revenues. However, I'm pleased with the fact that that we'd be still able to further improve operating profit in Kalmar as well. I'm also very satisfied with the fact that we can see the continuing recovery, especially, in the merchant side, MacGregor, with the further order increases in second half of the year.

Also, very happy that this M&A pipeline that we have talked about for example connection for our capital market days is now starting to deliver and we have a number of attractive acquisitions that we have announced during the 2017 and, especially, the TTS announcement from this morning. I will come back to those ones in a moment as well.

Let's start with the market environment. In the container and port business, the market environment is quite interesting. Actually, the macro picture is one of the best we have seen for multiple years. The container traffic grew at a very strong rate at 6% during the 2017 and we overall see the container traffic and the world trade recovery to be in a good shape. However, this has not clearly led to a number of orders we might have expected in this area. And overall, if I look at the situation, I sort of, have to sort of, look at the expectations we had at the end of the 2016 and early part of 2017 where we have seen a strong interest in automation and larger investments by the customers. The reality of the matter is that the automation itself is actually making progress at the moment. We actually signed two automation deals in Q4 2017 and we have signed an additional deal in the first part of this year already.

Customers are clearly still interested in automation. They are sort of progressing with that plan but it's happening more in a phased approach than we expected still about 12 months ago. I'm satisfied for the fact that we are opening customers. We are getting important references and important breakthroughs in automation technology but the value of those deals has clearly been lower than we expected – I would say that the three automation deals we have talked about have been on both sides of €10 million or so.

There are still opportunities for individual larger deals but they are fewer clearly than we expected a while ago and we clearly see a more phased sort of brown field type of development happening in automation and port investments. However, the demand in the equipment side is still continuing strong.

On Hiab side, the construction industry's activity development remains strong in Europe, and we see the US demand remaining at the strong level. In the marine side, in MacGregor, we clearly see a slow recovery happening, especially in the merchant side. In 2016, 579 ships, or merchant ships, were ordered. Last year 883 merchant ships were ordered and Clarkson estimates that slightly more than 1,000 merchant ships will be order in 2018.

The offshore side, clearly, with the recovery of oil price is showing more interest at the moment but it clearly has not turned into the orders for us at the moment, and we expect that recovery still to be remaining slow in the coming years.

Overall, fairly good progress, especially in Hiab. If you look at the year on year, good progress overall in Hiab. On Q4, orders increased only slightly. However, we a one 20 million large order in Hiab in Q4 last year; so, looking at the sort of individual streams, a very good progress overall in Hiab as well.

The year on year recovery continued strongly in MacGregor, especially driven by the merchant side. In Kalmar side, we grew orders somewhat sequentially but we were still down year-on-year and this is really primarily driven the drop in larger project orders.

If I look at the order book, we clearly have declined from the previous year, one needs to be, however, careful of drawing too many conclusions on the impact of this one into the revenue. The mix of the order book has clearly changed towards shorter cycle business, i.e., equipment business, where we expect to recognise the revenues much faster. The proportion of Hiab and the proportion of the Kalmar mobile equipment has increased in the order backlog and the proportion of MacGregor project as well as the Kalmar larger projects where the revenue recognition takes time over longer time has declined, and hence one is to be careful of drawing too many conclusions of this revenue or order book decline in our revenues for 2018 as well.

As said, very satisfied with the progress we made in operative profit. Record high year, record high quarter for us and, obviously, especially, pleased with the progress in Hiab. Also, pleased with the progress in Kalmar in terms of still improving operating profit despite the decline in revenues. And if you consider MacGregor's performance overall in 2017, we lost nearly 200 millions of top-line revenue in a year. I'm very satisfied for the work we've been able to do in MacGregor in protecting the profitability almost at the same level as year before.

The biggest driver for the improving operating profit is still very much the gross margin development while we still continuing investments in digitisation, software and our other business platform, investments that are keeping our fixed costs relatively high. You can see a clear improvement again from 2016 to 2017.

I would say every single project and product line is certainly still improving their gross margins but also the jump from 2016 to 2017 is partly explained by improving mix, higher proportion of software and services but also in equipment side, a more favourable mix is also contributing to the progress we are making in the gross margin development.

In services and software, we are making good progress in both areas although the headline numbers in services don't look that attractive. I'm still relatively satisfied with the progress we have made in there. Although the Kalmar growth in services showed to be only 2%, if I exclude the project-related crane upgrade services which declined quite strongly in 2017, the core services, i.e., the maintenance, spare parts and other related services in Kalmar grew actually more than 5% from 2016 to 2017.

Hiab recovered from some of the operational issues we had earlier in this year. The growth in services in Q4 was around 6% and overall annual growth was at 4%. This was still done against the declining installed base, as we have said connection of capital market days, we expect Hiab install base actually start to grow by end of 2018 due to the stronger sales performance in the last few years.

MacGregor, overall, services declined. Again, if you look under the hood, the actual merchant-related services grew already at 7% from 2016 to 2017 but we still experienced strong decline, especially, project-related services in the offshore side. Software sales grew 7% from 2016 to 2017. The growth rate was not quite as strong as we had seen in the previous years. This was caused partly by the lack of the – or decline in the automation software sales and partly also the impact of US dollar as most of our software sales are actually recognised in US dollars.

However, I would have to say that in the software side, strategically, we made great progress in 2017. XVELA the digital platform for the container industry was able to secure five new customers out of the top 20 carriers or shipping lines in the world during 2017, and we are very pleased with the progress and the prospects we have ahead of us of deploying XVELA as a true digital platform for the container industry.

Overall, the proportion of services and software grew from 29% to 31% on our way towards the 40% target we have set for ourselves.

In M&A, a number of exciting, attractive deals were done during the 2017. Rapp Marine, which is expanding MacGregor presence in the sort of adjacent areas around fishery and research vessels, was actually closed this Monday. It will give us an additional revenue of roughly 40 million, and about 30% of that revenues are in services.

Argos is one of the leading loaded crane manufacturers in Brazil, and that deal was done by Hiab during 2017. We actually are looking at the prospects in Brazil and the recovery of Brazilian markets quite favourably moving into the 2018. In the services side, Kalmar concluded the deal with Inver System which is service operation in Australia. We already today have a strong operation and install base also including multiple automation projects with additional revenue of about €5 million there.

Obviously, on top of this one, we have today announced deal to acquire TTS Marine Operations and we will cover that in a separate presentation at the end of the – or after Mikko has covered the financials more in detail.

That's the short sort of summary of the 2017. I'd like hand over to our CFO Mikko Puolakka to go through the numbers with more in detail. Thank you.

Mikko Puolakka: Thank you, Mika, and also good morning from my side. Let's start with Kalmar where the Quarter 4 operating profit in absolute terms was actually the business area's best ever quarter, the highest profitable quarter. Orders declined in Kalmar in all regions and pretty much, like Mika said, in the automation and large project orders. Like Mika indicated, we got in Quarter 4 two automation orders and now in January another third one. So, there are deals available, just coming in smaller sizes.

Looking the sales for Quarter 4, the supply situation stabilised. Actually, the Quarter 4 deliveries went very much according to our own expectations. Quarter 4 operating profit improved nicely, up by 7%, very much driven by the mobile equipment and Bromma improved profitability.

As a note, when you look, Kalmar's total sales, 75% of Kalmar's business is coming actually from that kind of businesses which are already having as of today more than 10% operating profit.

Then moving to Hiab, where we had actually a record quarter and also a record year. Very good quarter in all indicators. The supply chain topics / issues have been stabilised. They are not off the table but we have been able to deliver also in Hiab according to our expectations. The lead times are fairly long at the moment due to the supply chain issues roughly 15 to 17 weeks at certain product groups.

Orders were a very strong 9% growth in EMEA, and especially in the loader cranes demand has been very good. Sales were also up by 9%, and, as mentioned, we were meeting our own expectations what comes to the deliveries after the challenges in Quarter 3 deliveries. Services grew by 6%; and as Mika indicated, not only in spare parts but also in service contracts.

In Quarter 4, we did in Hiab almost €40 million operating profit, a remarkable 21% improvement. Very much thanks to higher sales and favourable mix. On a full year basis, Hiab made €157 million operating profit which is the highest in Hiab’s history, and that represents 12% year-on-year growth.

Then moving to MacGregor where the orders continued to grow. We got a large gas distribution deal in Bangladesh in Quarter 4. However, sales continued still to decline very much driven by the faster low orders. The new orders are going to generate the additional revenues in later 2018, early 2019.

Service sales declined in MacGregor and this came actually solely from the offshore services. The merchant shipping services grew by 7% year-on-year on full-year basis.

Quarter 4 profitability improved in MacGregor and this is very much coming from the mix, i.e., higher service share and the significant cost savings reductions what we been doing in the past couple of years. Like Mika said, €200 million less sales in 2017 compared to 2016. Despite that, we have been able to more or less maintain the profitability in MacGregor.

The previously announced the cost savings programmes are proceeding according to the plans. We made approximately €10 million savings in the corporate-wide €50 million programme, mainly in the indirect procurement area. From that programme, we expect this year, approximately €30 million restructuring costs for 2018.

MacGregor restructuring programmes have been completed; so, basically, the savings should be fully visible now in 2018. And also in Kalmar, we have completed the production transfer from Sweden to Poland. So, all Kalmar forklift trucks are now delivered from 1st January onwards from Poland.

Looking our key figures, orders total €3.19 billion in 2017, minus 3%. Sales declined by 7% and were €3.28 billion very much driven by the decline in MacGregor sales. Our operating profit was €263.2 million and the earnings per share were €2.11 per share. And as you have seen, our dividend proposal, we are proposing to distribute 50% of that EPS as a dividend.

Our cash flow was €253 million for the full year of 2017, very much impacted by two reasons; the increased networking capital, especially, in Kalmar and Hiab due to the earlier part of 2017, supply chain issues, and then lack of large project orders in Kalmar and the related low advance payments.

Our balance sheet is very strong. We had, at the end of the year, more than €300 million of cash. Our gearing declined to 33% and the balance sheet is very much supporting the strategic initiatives like the M&A activity as you could see also this morning.

We are not having any major debt repayments also in 2018. So, from that point of view, a very solid position. Looking the return on capital employed, we improved ROCE to 9.8%. On the long-term our target is to reach the 15% return on capital employed. The main driver for the return on capital employment – improvement in 2017 is coming from the improved operating profit.

The dividend proposal by our Board of Directors to AGM is €1.05 per B share. The proposal is that the dividend is paid in two tranches, one in March and the other one in September 2018. This €1.05 represents a 50% dividend pay-out ratio and it's 11% improvement from 2017. And then the 2018 outlook, based on the current market situation, we expect that the operating profit, excluding restructuring charges, is to improve from 2017.

As a side note here, we are applying also the IFRS15 principles from 1st January 2018 onwards. We don't expect any material impacts from the restatements for the 2017 results from the IFRS 15. And we are going to publish the restated numbers by the end of March 2018.

And with those words I would hand over back to Mika concerning our latest news in M&A.

Mika Vehviläinen: Thank you, Mikko. A few words about acquisition that we announced this morning regarding MacGregor buying the marine and offshore businesses from TTS Group. The strategic rationale for acquisition is really threefold. First of all, it will give us industrial synergies, secondly it will give us stronger foothold and strategic position for MacGregor in China and thirdly it is very complimentary and synergy effecting in terms of the services with a strong installed base by both companies.

If I look at the synergies, we estimate at this stage the synergies to be in the ballpark of €30 to €35 million on annual basis. TTS has two strategic joint ventures with the two largest shipbuilding groups in China, CSSC and CSIC, with the sort of protective movement going on in shipbuilding at the moment that will give us clearly a stronger position moving forward in China. In terms of the services, the installed base of TTS is estimated to be roughly 9,000 vessels with the combined – with MacGregor, that will give us an estimated install base of 25,000 to 30,000 ships that enables of course that to drive even more effective services, operations for the combined entities.

TTS as a setup is actually fairly similar to MacGregor. Both companies have a very little manufacturing and are primarily an engineering and project management operations. TTS employees today roughly 930 people. The product portfolio is very complementary to the MacGregor. TTS is stronger in the heavy crane side and they also offer a number of crane products in the merchant side and offshore side that MacGregor is not having today.

In terms of financial summary, please note that these are numbers for the first three quarters of 2017. TTS is announcing their Q4 if, I remember correctly, at the 14th February. And by that time, we obviously have a better view than on the annual level of that one. And also, another footnote here to notice that the – today TTS is fully consolidating the three joint ventures they have with the two partners in China. We would have to deem ourselves after the closing of the deal whether we still want to further consolidate those numbers or whether we do just sort of economic value; that obviously doesn't change the deal and the valuation of the business case for the deal as such, but we will have to come back to that one later on.

Transaction highlights; this is an asset deal. Effectively TTS, ASA will remain as such, the headquarter operations will remain with the seller as well as then the TTS and Syncrolift AS which is a shipyard operations, all related marine assets, all the equipment, deck equipment go into the merchant side, and offshore assets are part of the deal. The total consolidated purchase price is debt-free and paid in cash, is €87 million. We will obviously finance this from our available cash and available financing as such. More than two-thirds of the TTS shareholders have already committed to support the deal. This will require an extraordinary annual general meeting from TTS, but as it is an asset deal and not straight forward share acquisition, two-thirds majority will be adequate for the approval in the annual general meeting. The deal is expected to close in Q3, of course depending on the competitive authority and other regulatory approvals. I think we are ready for questions and answers.

Hanna-Maria Heikkinen: That's great. Thank you, Mika. Thank you, Mikko. Mikko, you could also come here. We will start with the questions from Ruoholahti. Are there any questions from Ruoholahti? If not then we will continue with the international questions.

Operator: Thank you. If you would like to signal for a question, you may do so by pressing star one on your telephone keypad. Please ensure the mute function on your telephone is switched off to allow your signal to reach our equipment. If you find your question has already been answered you may remove yourself from the queue by pressing star two. Once again, that's star one to ask a question. And we will take in an opening question from the Leo Carrington of Credit Suisse. Please go ahead.

Leo Carrington: Good morning. Thank you. I've got a couple questions on Hiab. On the strategy, how much growth do you think is left in mature markets and how long before you anticipate emerging markets taking greater share of your orders? And on a related note, how is the new products pipeline shaping up for Hiab? According to my notes, you launched 45 in 2015, 54 new products in 2016 and how is this kind of momentum into 2018? Thank you.

Mika Vehviläinen: Thank you. I think still for the next few years, the majority of the revenue and orders will be coming from the developed markets primarily from the US and European markets. And as you saw the note on the Brazilian market, even though Argos is one of the market leaders, the revenue of it is only around €6 million on that one. We do expect the Brazilian markets to start to recover. We are looking at the different ways to also expand our position in other developing markets. And that will be driven by the changes in the markets and the penetration going up. However, I would think that moves gradual and I would be expecting that visible impact coming only in the next few years.

The US market has remained still at the strong level; also in 2017, for example, the truck registration expectations for 2018 are still quite strong. We saw very strong development that we expect to continue also in the 2018 especially in the European market. Regarding the product areas, we will certainly slow down the number of product introductions. We have now renewed very large part of our portfolio and, obviously, there is a sort of time limit how often you want to actually renew your products. It's very clear, especially loader cranes where we have done a number of new product launches that has continued to result at a very strong order intake. In our loader crane business that has then actually cost us some supply chain-related issues, in the Poland but that we are now recovering and stabilising the situation there, but the Q4 order intake in loader cranes was again a very strong one.

Leo Carrington: Thank you.

Operator: We will take our next question from Manu Rimpelä of Nordea. Please go ahead. Your line is open.

Manu Rimpelä: Good morning. My first question would be on this acquisition of the day. Could you just help us understand better the synergies and number that you're giving, €30 to €35 million, as that sounds fairly high in comparison to some, €200 million of annual sales would be, business you have. So, just kind of walk through what kind of overlap do you have in manufacturing plans and what kind of details or calculation do you have behind that number.

Mika Vehviläinen: We ended up in the number in two ways. Obviously, we have done some of our own desktop analysis understanding the operations; but as it is a competitive situation, we then have used an external third party as a sort of clean team to actually assess and verify that number. And they have also confirmed and landed at that pretty much in the same number. So, we have a fairly high level of confidence in terms of being able to reach that one. That really comes from the overlapping operations. If you look at the financial – sorry, geographic set up of TTS, they operate very often in the same locations as we do.

In the services side, we have two clearly overlapping organisations that we are able to drive synergies and enhance our sales and services portfolio; that's a very important part of that one. But I would say it's overlapping operations in certain areas, overlapping locations and then a strong overlap in services organisations that are the main drivers for that.

Manu Rimpelä: Okay. Thank you. And then could you –

Mika Vehviläinen: And Manu one point in that one, obviously, it sounds relatively high compared to revenues. One needs to recognise again that both McGregor and TTS have had considerably higher revenue numbers in the past years. So, you are now looking at the revenues probably at the bottom or towards the bottom of the market as well; so, that's why the comparison looks maybe somewhat odd as well.

Manu Rimpelä: Okay. Then comment on your sales outlook or the lack of the comment on the sales guidance for this year, why are you not providing that, and also, how should we think about the backlog being down. I think you have something like 13% on a year-on-year basis, and how is that split between 18 and beyond 2018?

Mika Vehviläinen: We didn't give a sales guidance for 2017 either. I think the operating profit is obviously the one we are after. It's also frankly speaking somewhat difficult to forecast the sales. It depends obviously in the market demand in HIAB and in the mobile equipment where the cycles are relatively short, three to six months; so, we don't have a full year visibility on that one. Also, in McGregor and Kalmar in the project businesses, obviously, cycles are longer, but with the PoC recognition and having an uncertainty when and where, those leads will land – we just don't have clear enough visibility to be able to give a sort of guidance on the revenue at this stage.

Manu Rimpelä: Okay. And can you just walk us through the key kind of moving parts of the operating profit and for then declining sales in 2018. So, what levers do you have to improve the EBIT?

Mika Vehviläinen: I think the key elements are first of all, you have seen the continuous improvement in our gross margins, that's done on the product level, product line level and project level. Those efforts are continuing. We have clearly enhanced and accelerated our R&D in the years, and that's delivering more cost-effective better products. And with the sort of current demand environment, we can have a more pricing discipline that will also help. So, we expect still expanding margins there. We expect a better business with further growth in software and services to help on that one. And in addition, that one, Mikko walked through the different cost-saving initiatives that are delivering a more effective or resident operations in 2018 as well. It's a combination of those factors.

Manu Rimpelä: Okay. And then the final question. Can you just comment on the M&A pipeline and how they think about the balance sheet? I mean you have obviously done several smaller midsize acquisitions in the past year. But where kind of do you see that how much are you willing to gear up the balance sheet if you start getting more opportunities in this market?

Mika Vehviläinen: The balance sheet, of course, is in a very strong position. Our gearing was at 33%. So, we have quite a lot of headroom at the moment. We have in the past also gone over this gearing if the businesses cases they're available. So, I would say the short to medium term, we are not really driven that much by the gearing. It's more long-term target, that if they are attractive enough cases available, we would obviously go after them even with the sort of exceeding than the gearing limit if that's necessary. However, a lot of the targets we actually see visible at the moment would be size-wise such that that would probably fit within the current headroom we have available.

Manu Rimpelä: Okay.

Mikko Puolakka: Thinking the headroom 50% gearing – thinking the 50% gearing kind of long-term target. That would mean roughly €300 million additional debt before we would be reaching that level.

Manu Rimpelä: Okay. Thank you. No further questions.

Operator: We will take our next question from Johan Eliason of KEPLER. Please go ahead.

Johan Eliason: Hello, and congratulations to – it looks like a good deal on TTS, paying less than three times your expected cost synergies, it sounds quite attractive. But if you look at the profile of TTS versus MacGregor's, is it roughly the same or is it very short, or can you give me a sort of indication on how to expect the revenues in TTS to pan out? Thank you.

Speaker: If I look at the revenues in TTS, they have actually remained – they have declined similar to the MacGregor, of course, due to the market environment in both the merchant as well very much in the offshore as well. They have been able to retain, or let's say their decline in revenues in the past two years in merchant side has been somewhat slower, than MacGregor, and that's primary due to their stronger market position in China. They are recognised through the joint ventures as a Chinese equipment and system providers, and that has helped them in the current scrap-to-bill policy; and that has been one of the drivers for us for the acquisition as well, is to enhance MacGregor relative position in the Chinese market. So, the recovery obviously is very much related to market recovery and we would expect that to be sort of similar in terms of profile.

Johan Eliason: Okay, good.

Mikko Puolakka: Perhaps for that. Also thinking the TTS, the service share in TTS is clearly lower than in MacGregor. So, there are opportunities also to boost the service sales there.

Johan Eliason: Yeah, good. Talking about these Chinese joint ventures, you obviously already have one with Rainbow Heavy. How will this pan out? Will you continue with Rainbow or will there be a problem there?

Mika Vehviläinen: So, the Rainbow Heavy Corporation, Rainbow Heavy has been a sub-manufacturer for MacGregor, and that continues. And then we have a joint venture RCI that is actually primarily focused around the Kalmar cranes. We are manufacturing all the heavy cranes today in the joint venture in China; that work obviously will continue. So, it will not have a direct impact then into the Rainbow Heavy and all the joint venture we have in China.

Johan Eliason: And then just on the deals with TTS, you said two thirds of shareholders have sort of committed to this deal; is that what is needed at the AGM, or do you need further shareholder acceptance as well?

Mika Vehviläinen: No, that's because it's an asset deal, the two-thirds majority in the AGM is enough to secure the deal.

Johan Eliason: Okay. So, the only thing remaining is anti-trust?

Mika Vehviläinen: Exactly.

Johan Eliason: Then just on Hiab here, you say you would slow down the product introductions, you have had a lot of good products introduced recently etcetera. And we know that the currency will take a heavy toll on them this year, assuming that the dollar is as weak as it is. Do you think Hiab can still improve margin this year, or it's just the EBIT growth that remains for Hiab for 2018?

Mika Vehviläinen: I think we will see further good progress in Hiab in terms of the product margin development. We see a strong demand continuing in – or developing further in Europe. We see still the US market remaining strong, but it's very clear that the headwind in dollar is fairly strong for us today. So, we indicated in connection of the capital market that it will be in the range of $15 million to $20 million, and obviously since then, the dollar has further weakened. So, if you look at all together, I think it would be optimistic to think that we would be further able to enhance Hiab's already excellent margin. So, I think sort of aiming to remain at this year level will be a good achievement for us.

Johan Eliason: That's good, and then just on Kalmar and the lack of orders, I think Mikko has sort of earlier alluded to that, if you don't get orders in the first half of 2018, you will take corrective actions to mitigate the effect on the EBIT line. Well what's your view right now; are you preparing for this?

Mika Vehviläinen: I'm actually pretty optimistic in terms of where we are at the moment. I clearly sort of had to eat my words in terms of what we were expecting at the end of '16. When we were looking at the automation large project pipeline, and many of those deals actually are realising, some of them have realised, but the volume of those initial deals was clearly lower than we expected still 12 to 14 months ago. So, customers have taken clearly a more conservative and more careful approach. I'm still very pleased for the fact that the three automation deals that we have now secured in the last few months, all have a significant pipeline and prospect possibilities to expand to very large deals, but the initial deal sizes have been clearly lower than we expected, sort of some of them being bellow, some of them slightly above 10 million. So, they are not particularly visible in our sort of ordering intake at the moment. At the same time, the demand on the sort of lighter equipment side on that 1.2 billion is remaining strong.

Johan Eliason: Okay. And taking the smaller deals on automation, will we have to wait like one year or two years or three years before you think that could turn bigger or costlier sort of trial period here for those?

Mika Vehviläinen: It really varies from deal to deal. Some of them are more sort of I would say people are trialling out the automation systems just in one part of the port, and depending on their then findings, they will make further decisions. Some of them are more a question of phasing the project to multiple different phases where you would expect kind of steady flow of the deals happening forward. So, it's a mix of different things. And there are still larger deals but much fewer than we expected a while ago available that we will be aiming to gain this year.

Johan Eliason: But if I understand you correctly, you are not for the time being at least expecting to slow down the R&D and software investment in the Kalmar division to preserve the EBIT this year?

Mika Vehviläinen: Actually, I would say almost vice versa in a sense that the deal flow we are seeing now that we have already secured has a significant sort of technological commitments that we have in there.

Johan Eliason: Okay. And then just one final question on MacGregor. You mentioned merchant service is growing quite nicely, and offshore is very weak. Is there any further downside risk to offshore-related services, or are we basically almost at zero here?

Mika Vehviläinen: Well, you know you can only go to the zero I guess. So, the numbers start to be very small. It's obviously partly coming from sort of basic maintenance work with so many dormant ships and platforms in offshore. But the biggest decline came from a number of offshore-related services projects that were very few available in 2017. So, I would say that the further decline if that happens will not be that significant from the numbers point of view because we are so low now.

Johan Eliason: Okay. Thank you very much.

Mika Vehviläinen: Thank you.

Operator: We will take our next question from Magnus Kruber of UBS. Please go ahead.

Magnus Kruber: Hi Mika, Mikko. Magnus here with UBS. Thanks for taking my questions. First on a higher growth rates. Could you give us some flavour on how the like-for-like growth developed across the different regions in Q4 compared to Q3 please?

Mika Vehviläinen: If I now remember off the top of my head, the European orders increased by nine points. We had a 6% decline in US. However, this 20 million large deal we had in Q4 last year was a US order. So, that explains the decline in that sense. So, we saw still outside that large deal a steady demand continuing in US and a further strong growth in Europe. In terms of the product-specific growth, clearly the strongest growth at the moment is in the loader crane segment.

Magnus Kruber: Okay. Got it. And could you give us an idea of what those growth rates were in Q3?

Speaker: In Q4, we haven't given product line specific, but they were double-digit numbers on that one. In US, we also saw sort of slowdown of the truck mounted forklift type of products where a lot of the – sort of renewal projects were coming to an end. But we saw strong growth continuing in the loader crane segment in the US as well, but double-digit growth across the board.

Magnus Kruber: Okay. Got it. And what's sort of the comment on Q3 growth per region?

Mika Vehviläinen: Q4.

Mikko Puolakka: Quarter four.

Magnus Kruber: Q4. Okay. So, how was – like on Q3, what was the regional growth rate in Q3?

Mika Vehvilainen: Hanna-Maria can check that. But we had a growth in Q3 in Europe definitely. I think –

Hanna-Maria Heikkinen: I think it was 37% in orders, on EMEA in Q3

Mika Vehvilainen: 37% orders in Q3. Yeah.

Magnus Kruber: Excellent. And also, did you see any cost-associated with the supply chain issues in Hiab in the quarter?

Mika Vehvilainen: Yeah, I mean, obviously, we had to take extraordinary measures in both Hiab and Kalmar to recover from situation, and there were some costs associated to those one but I would that they were not significant, probably a million here, a million there. Yes.

Magnus Kruber: Yes. Got it. Thank you and finally, I comment a little bit on the FX impact. Could you favour us with a guess of what that impact might stand at now?

Mikko Puolakka: I mean, as I said, based on the capital markets day, the situation it was between 15, €20 million. Based on the further declining of the US dollar, one can add some 5 million to that. So, of course, we try to do all countermeasures as well as – as much as possible but some €25 million at the moment as compared to €15-€20 million when we were in capital markets day in London last autumn.

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

Mika Vehvilainen: Thank you.

Operator: We will take our next question from Erkki Vesola of Inderes. Please go ahead.

Erkki Vesola: Hi, hi, guys. A couple of question regarding Kalmar sales. It seems that the equipment sales did not grow in Q4 either or less than 2%. Do you actually see the bottom now you are facing it in Kalmar sales, or is there any particular reason behind this, why the sales didn’t grow – equipment sales didn’t grow faster?

Mika Vehvilainen: Obviously, part of that one is dollar related. So, the equipment sales in US are also significant a part of the revenue, and, especially, in products like terminal tractor on that one, but I wouldn’t say that there were anything specific. We had a pretty strong Q4 in 2016 in the equipment sales as well. And, overall, I mean, that part of the market is primarily driven by replacement market anyway. So, we are not expecting a large, sort of, variations in the – or the significant growth in that sale happening either.

The demand in the port side in that equipment is remaining steady. It’s really driven up, I said, by replacement market, and the industrial sector actually looks quite strong as well.

Erkki Vesola: Okay. Thanks. Then about TTS, could you tell us how big TTS exposure to offshore is, I mean, if offshore doesn’t take off in a while as you indicated?

Mika Vehvilainen: I can’t remember the specific number on top of my head but they have had to seen a very strong decline in their offshore business as well. Hanna-Maria might have the actual numbers.

Hanna-Maria Heikkinen: Yeah, my understanding is that the share of offshore and net sales between 10-20%. So, quite small offshore business.

Erkki Vesola: Hello? Yes, and obviously is at the bottom as we speak. Okay, that was all from me. Thank you.

Mika Vehvilainen: Thank you.

Operator: As a reminder, it's star one to signal for an audio question. Our next question comes from Antti Suttelin of Danske Bank. Please go ahead.

Antti Suttelin: Hello, this is me - Antti. I would just like to ask the builsing blocks of your improving EBIT for 2018. Can you, first of all, tell me, are you including TTS in your guidance or not?

Mika Vehvilainen: No, we are not including TTS but we do not expect the TTS to have a significant impact into the guidance either.

Antti Suttelin: Okay. Then I would like to ask about the building blocks. I know that you have restructuring programmes ongoing. I think you have four programmes ongoing. My question is how much would you expect these four programmes to give savings 2018 versus 2017? So, how much these programmes generate 2018 versus 2017?

Mikko Puolakka: So, firstly, if we think these corporate-wide programmes, so we expect some €10 million further savings from that programme versus 2017 €10 million; so, kind of additional 10 million on top of 2017 there. Then in Kalmar, Kalmar as I mentioned, we have completed the production transfer from Sweden to Poland. That's expected to yield €13 million for Kalmar. And then all, MacGregor cost-savings programmes have been completed. So, that is, basically, on annual basis €25 million which very much used to kind of offset the sales decline order; still low sales.

And so, those are, basically, the main restructuring programmes what we have. And then, of course, if we see areas to improve in the cost side, of course, we take very prudent look on those also in 2018.

Mika Vehviläinen: And I've said it, already either –

Antti Suttelin: So, you –

Mika Vehvilainen: Go ahead, Antti.

Antti Suttelin: Yeah, just is this 25 million – is this incremental 2018 versus 2017 or was this visible already in 2017?

Mika Vehvilainen: Some of these MacGregor programmes actually were completed by the end of last year. So, they will be also reducing 2018 numbers. It's not fully impacting 2018, but a big portion of that is coming to MacGregor's cost reduction still in 2018. But, as I said, these are also offsetting the low sales still as the new orders are not yet generating significant improvement on the sales side.

Antti Suttelin: Okay. So, you have these restructuring savings on the positive side but then you have weaker US dollar and then you have falling sales because the order book is so low, and you think that the conclusion of these three factors will be improvement in EBIT?

Mika Vehvilainen: Absolutely. Again, as I said in the – yeah, the order book doesn't look pretty in that sense because we are missing the larger project orders, and the MacGregor orders are still decline although we have started to now see the recovery on that one. But, again, because the mix of the order book is very different, it's the shorter cycle and also higher profitability order book than we had in the – compared to 2016. So, one can't draw direct conclusion between the order book and revenues as such. Obviously, very much depends on the shorter cycle business, how the orders pan out then in this sort of during the year. Again, we expect the mix to be more favourable. We have seen a good growth rate in Kalmar core services. We expect that growth to continue. We saw a 6% growth in Hiab services in Q4. We expect those services to continue to increase. And also, I think, we already start to see a recovery on the merchant services in MacGregor. So, the service is – and the improve in mix will be a big contributor for the EBIT improvement in 2018 as well.

Antti Suttelin: Yeah, alright. That's all. Thank you.

Mika Vehvilainen: Thank you.

Mikko Puolakka: Thank you.

Operator: We have the follow-on question from Manu Rimpelä. Please go ahead.

Manu Rimpelä: Thank you. Follow-up would be – actually follow-up on Antti's question. So, can you specify the P&L impact of this cost-savings programme in the year 2018 P&L?

Mikko Puolakka: From the corporate-wide €10 million, from Kalmar savings programme €13 million because it was completed at the end of December 2017. And from this, MacGregor €25 million programme, I would say, roughly half would be visible in 2018.

Manu Rimpelä: Okay. And then a similar question for the acquisition of TTS. So, did you comment about the potential cost that you expect to incur related to this achieving the synergies?

Mika Vehvilainen: We haven't commented on that one. We will clarify further the synergies as well as the potential restructuring costs once the – sort of required authorities and closer to the closing of the deal.

Manu Rimpelä: And when do you expect this to close?

Mika Vehvilainen: Of course, it depends on authorities and their timeline but we have initially estimated that to be in Q3.

Manu Rimpelä: So, the potential integration of the assets could still happen at the – during Q3 18 or Q4 18?

Mika Vehvilainen: Yeah, if the closing would happen in Q3 and it would – certainly some of the restructuring cost would already land on the 2018 for sure.

Manu Rimpelä: Okay. Thank you.

Operator: As the final reminder, that's star one signal for an audio question. We will take our next question from Johan Eliason from KEPLER. Please go ahead.

Johan Eliason: Yeah, just out of curiosity. Palfinger walked away from the TTS deal and now you are doing it. Are you less risk-averse?

Mika Vehvilainen: I think, the business is – and I can't comment Palfinger's behalf – but we see a great economic value in this deal. Businesses are highly complementary. There are real, I think, opportunities in all three areas in terms of the industrial synergies, in terms of the services where we are serving and with the complementary and overlapping services portfolio much bigger install base; and thirdly, that sort of stronger presence, strategic presence in China. And we are sort of very excited about the opportunities of this deal.

Johan Eliason: So, you are not seeing any major issues or is there a specific reason why you are not taking on the shipyard operations?

Mika Vehvilainen: We are not serving shipyards overall. First of all, the seller was interested in remaining in that business and, secondly, that would have been outside the current scope of our offering anyway. So, we acquired the businesses that are serving the merchant and offshore marine markets.

Johan Eliason: Okay. Thank you very much.

Mika Vehvilainen: Thank you.

Operator: We have no further questions in the queue.

Hanna-Maria Heikkinen: Thank you for the active participations in this conference call. Our Q1 result will be published on 24th April. So, looking forward to see you then. Thank you.

Mika Vehvilainen: Thank you.

Mikko Puolakka: Thank you.