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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 Q1 2019 results. In Q1, our orders received grew in all business areas and comparable operating profit remained on last year's level.

My name is Hanna-Maria Heikkinen. I'm in charge of Investor Relations. And today our CEO, Mika Vehviläinen, will start with the Group development, and after that, our CFO, Mikko Puolakka, will continue with the business areas financials and outlook. After the presentation, there is a great opportunity to ask questions and get great answers.

Mika Vehviläinen: Thank you, Hanna-Maria. Good afternoon from my behalf as well and thank you for joining the quarter one conference call for Cargotec. I know it's a very busy day today, so I appreciate your participation.

During the Q1 2019, the strong demand for our solutions continued. Our orders received increased for the fifth consecutive quarter with 19% increase in Kalmar, 11% increase in Hiab, and 33% increase in MacGregor, although from obviously fairly low level. Although the comparable operating profit remained at last year level, operating margin was not satisfactory from our point of view. This was due to the supply chain issues in Hiab. However we have a number of corrective actions taking place. The situation is already improving, and I am confident that we will see further improvement in the coming quarters. Mikko Puolakka will cover Hiab more in detail during the business area specific presentations.

A few words about the market environment during the Q1 2019. The global container throughput grew slightly 0.4% during the Q1. This slight growth was contributed mainly for the pre-shipment with the anticipation of increase in tariffs between the US and China during the Q1 that is now postponed. The market is expected to show a robust growth in container traffic this year with the market growth estimates varying between 4% and 4.9% for the 2019.

Construction activity remained at a good level in our key markets in US and in Europe. In MacGregor's area, the market improved slightly in merchant sector but still remains well below the historical levels and the activity in the offshore side is still at the very low level.

As said, orders increased by 18% and increased in all business areas. The total order intake exceeded €1 billion with the 33% improvement in MacGregor continuing the slight trend we have seen towards the end of last year. The Hiab order intake was €341 million. This is the second highest order intake in quarter in Hiab's history only exceeded by the Q4 last year. Also in Kalmar, we had a record order intake with a €516 million of orders and what's delightful that this came from multiple sources and not from any single larger order.

Obviously, the strong order intake fifth consecutive increase is now showing in our order book, which is 27% higher than in Q1 2018. We are now seeing the order book trending up slightly in MacGregor and we have a record order book both in Kalmar and in Hiab at the moment.

Sales increased by 11% and we saw increase happening in all three business areas. But as I already commented, the operating margin was disappointing due to the difficulties we still faced in Q1 in Hiab.

I'm very satisfied with the progress we are making in our strategic key focus areas in services and software. Kalmar services, corrected by the comparable currency exchange and adjusted for divestments, grew by 5%. Hiab services continued its strong growth with 11% growth. And MacGregor is now showing signs of service recovery with another quarter of service growth of 8 percentage points. Total in Cargotec level services sales increased by 5% adjusted for currencies, acquisitions and divestments.

The strong development in our software businesses continued with the sales increasing by 18% and orders by 56% from Q1 last year. This is primarily attributable for the good progress we have made in our automation software. Also during the Q1, we closed an important software acquisition for us, Cetus Labs, with their Octopi cloud-based SaaS-based terminal operating system intended for smaller and mixed cargo terminals that will further enhance Navis' position as the leading terminal operating solutions provider. We are currently well on our way to our target of €1.5 billion of services and software revenues.

With that one, I'd like to hand over to my colleague, Mikko Puolakka, our CFO, who will cover the business area specific results. Thank you.

Mikko Puolakka: Thank you, Mika, and good afternoon also from my side. So let's start with Kalmar. And Kalmar had a very good quarter in all financial metrics. Orders grew, as Mika indicated, 19% and the growth came across all Kalmar divisions, also in all geographical areas. Kalmar order book is now above €1.1 billion and this has grown by €100 million since the beginning of the year.

Kalmar sales were up by 8%. And when we eliminate the impact of our two divestments last year, the Siwertell bulk business divestment, as well as the Kalmar rough terrain container handling business divestment, then sales grew even 11% year-on-year.

The reported service sales were flat, but also when we eliminate the previously mentioned divestments, services sales grew in Kalmar by 5% year-on-year. Kalmar profitability improved by 13% and was €32.3 million, and the profitability improvement came to great extent from the top line, i.e. sales growth. So all in all, very good quarter for Kalmar.

Then moving to Hiab where we had also very good development in orders, like Mika said already earlier, orders growing by 11% year-on-year. All major divisions in Hiab, i.e. loader cranes, truck-mounted forklifts, as well as services grew very well. And also, orders grew in all geographical areas.

Hiab order book is now close to €500 million and this, of course, offers a very solid basis for the revenue growth in 2019. Hiab sales grew by 14% from 2018. And when we eliminate the Effer acquisition which we did end of last year, then Hiab sales grew by 8%. Service sales grew 11% and very much in line with our long-term service growth targets. Despite the good growth in sales, the Hiab operating profit however declined, and this is, to great extent, driven by the inefficiencies and additional costs arising from the supply chain disturbances.

We have taken several corrective actions and measures and the situation continued to improve throughout quarter one. I would say that currently the issues are mainly related to our Stargard assembly operations as well as loader crane installation capacity, and we are very actively working on fixing those.

And the positive matter, of course, here is that this is not so much anymore the external component supplier issue, but very much in our hands so very much for us to be fixed. And as Mika said also, we expect this situation to improve now in the second half going forward.

Then moving to MacGregor. MacGregor orders grew by 33% but still the orders were on a fairly low level because of the very, very low markets. The order growth came mainly from RoRo business primarily from RoRo division where the orders were very low in the early part of last year. MacGregor total sales were up by 10% and service sales were up by 8%. Service sales came mostly from the merchant segment.

Looking the MacGregor profitability, yes, there is a small absolute improvement despite – the profitability did not significantly improve despite the sales growth and the improvement – kind of low improvement came because of the low capacity utilisation what we have in certain areas, especially in the RoRo as well as in the offshore divisions. Also the Rapp Marine integration is still ongoing and Rapp Marine is delivering at the moment more or less breakeven results.

Then looking the consolidated financials, also like Mika indicated, the highlights of the quarter were definitely the orders and sales growth in all business areas. Those were clearly the bright spots. Profitability, excluding the items affecting comparability, remained on last year's level. We had roughly €6.3 million restructuring and other cost items affecting the comparability and these items are related to the company-wide restructuring programme, so mainly personnel-related layoff costs and then the TTS related acquisition costs. Earnings per share for quarter one was €0.48.

Cash flow from operations was weak if we compare to previous years. However, it improved from quarter one last year. Cash flow was €31 million and it is still very much impacted by the supply chain disruption as well as growth in receivables, accounts receivables, as we were doing quite high invoicing towards the end of the quarter one.

Our financial position is strong. Our cash and the committed unused credit facilities were €451 million at the end of March. Net debt has increased now in quarter one and the primary driver for the net debt increase is coming from the IFRS 16 where we took €192 million lease liabilities in the balance sheet in early 2019. This is also highlighted in our gearing, a gearing 63% currently. And if we eliminate the IFRS 16 impact, then gearing is 49%.

As you can also see from the chart, we have a very well balanced maturity structure. No major debt repayments coming in a single individual year.

ROCE was 7.8%, more or less on last year's level. Our long-term target for ROCE is 15% and this requires still work especially on the profitability side.

And then last but not least, our outlook for 2019, we reiterate our guidance for 2019 and expect our operating profit – comparable operating profit for 2019 to improve from 2018.

And with those words, I would then hand over to Hanna-Maria and the questions.

Hanna-Maria Heikkinen: Thank you, Mikko, and thank you, Mika. We will start with the questions from Ruoholahti. Are there any questions from Ruoholahti?

Erkki Vesola: Yes there are. Okay, good afternoon. It's Erkki from Inderes. Actually three questions from me. First, this is more for Mikko. Could you provide us comparable order growth numbers by division, I mean, eliminating for all the M&A actions as you provided for sales?

Mikko Puolakka: Yeah. For Kalmar, the orders growth, if we take the – let me just take the orders. So if we take Kalmar, the order – organic growth for orders were – let me check the exact numbers now.

Mika Vehviläinen: Maybe if we take the second question while Mikko is looking for the answers.

Mikko Puolakka: Yeah.

Erkki Vesola: Yeah, that's fine. Thank you. Now this was the fourth quarter in a row when your moving 12-month gross margin declined slightly. When do you actually see that the actions that you have taken improving profitability start to show in gross margin? Is it already in the second quarter or do we have to wait until second half of this year?

Mika Vehviläinen: I think the margin, of course, is driven by multiple factors. One is the mix and we see – so the product mix within this different business areas also do affect that one. But at this stage, we see – this is primarily been an issue now, of course, with the Hiab and we do see the Hiab situation gradually improving. We already saw improvements within the quarter itself, March already being clearly better in terms of deliveries and we expect that positive development now to gradually improve throughout the year. So we expect Q2 to be better than Q1 and then improvement from there on.

Erkki Vesola: Okay, thank you. And finally, going forward regarding your current SG&A level. Is it something that we should model in for the rest of the year as well?

Mika Vehviläinen: We expect actually further productivity improvements on SG&A. I mean, we have the company-wide €50 million savings programme that Mikko was referring to and that is delivering savings already within this year. And then also within the business areas, we have a number of productivity measures that we are in the process of executing.

Erkki Vesola: Okay, that's all from me. Thank you.

Mikko Puolakka: So I take down numbers.

Erkki Vesola: Okay, thanks.

Mikko Puolakka: So for Kalmar we reported – the reported order growth was 19% and when we kind of clean up the divestments, then the growth was 26% year-on-year. For Hiab, the reported orders were 11% growth and when we eliminate the Effer acquisition then it's 5%. And then for MacGregor, the reported order growth was 33% and when we eliminate the Rapp Marine acquisition, then it's 28%.

Erkki Vesola: Thank you very much.

Hanna-Maria Heikkinen: Then we will continue with the international questions.

Operator: Ladies and gentlemen over the phone, please press star one to ask a question. Once again, it's star one to ask a question over the phone. We will now take our first question. Please go ahead caller. Your line is open.

Leo Carrington: Good afternoon. Thanks for taking my questions. I would like to talk about Hiab. Are deliveries still limited by the supply chain or are the issues now mostly on the cost side? And would you say there's a significant backlog for urgent delivery or lead times still stretched? I'm just trying to understand delivery phasing for rest of 2019.

Mika Vehviläinen: Right. Maybe I take that one. Yes, the supply chain at this stage we still have issues but a lot more limited issues in terms of availability of the components. Right now, the primary issues are actually around our Polish facilities which is the loader crane manufacturing facility that are to do probably with, I would say, the maturity of the operations, the factory. It's a relatively new factory that has had a very, very strong order increase within the two years of operations. And then also the labour availability and labour rotation within that market, that is also part of the issue. And there is a long list of corrective actions that we are currently executing on that one and we see gradual improvement taking place in there.

When it comes to the lead times, this varies from product area to area quite a lot. I would say that the – some of the product areas are now within the few weeks of delivery times and the longest lead times are extending well towards the end of this year at the moment. But it's very product-specific at the moment.

Our on-time delivery numbers are coming up are actually considerably up compared to the same time last year or even towards the end of last year. But we still have long lead times in certain product areas. We are obviously also following up on cancellation activities with the long lead times. We have not seen any further changes in cancellations. Those remain at the normal level.

Leo Carrington: Okay, thank you. And is this issue still negatively impacting on mix?

Mika Vehviläinen: Yes, it is. I mean generally what we see – obviously first of all, the loader crane as such, is a good business for us so we are not able to execute quite what we need in there. And within that product area specifically, the deliveries of smaller, more simple cranes that have a lower margin are usually easier to do; there we have less delivery issues. And the more complex, heavier cranes, there we have further, I would say, more restraints at the moment and there we have a more delivery restrictions and that's affecting the mix of the deliveries as well.

Leo Carrington: Okay, thank you. So, if I may take a second question on MacGregor and TTS. Is the acquisition still expected to close in Q2? And in terms of profitability for MacGregor, either from MacGregor stand alone or MacGregor-TTS combined, do you have a view on what kind of revenues or market activity are needed for the division to return to historical margins or close to this sort of low single-digit margin range?

Mikko Puolakka: On the TTS case, this is still with the Chinese Competitive Authorities. We still expect this to be resolved during the quarter two. In terms of the margins, obviously, we have a limited visibility on the TTS situation. They have reported their Q4 so far what was slightly positive numbers on that one, not that different from the MacGregor numbers. Obviously, after the closing we still expect the synergies to be at the level that they have indicated earlier when the deal was announced. That should then drive the profit improvement either with the existing market conditions.

Leo Carrington: Thank you.

Operator: Thank you. We will now take our next question. Please go ahead, caller, your line is open.

Magnus Kruber: Hi, Mika, Mikko, Hanna, Magnus Kruber at UBS. A couple of questions from me. So how does the capex situation look in the Kalmar at the moment? Of course, the backlog there is up a lot. So do you think you can sustain the current delivery rate on the equipment side there without seeing anymore impact from bottlenecks?

Mika Vehviläinen: The capacity situation varies again from product area. We see actually the ordering increases coming pretty much across the board from the different product areas which is in a way good news. I will say that for certain products for the North American logistics sectors, we are now serving or selling towards the very end of this year or early next year capacity already. And in certain other areas we are actually having a situation. But overall, I would say that the delivery and capacity situation in Kalmar is in better shape, at least, in Hiab at the moment. We still have further improvement opportunities but the situation is not as critical.

Magnus Kruber: Got it. Thank you. And could I ask you some flavour on how large the addressable market opportunities for Octopi compared to Navis?

Mika Vehviläinen: It's considerable. I mean, when you talk about the smaller terminals that makes cargo terminals, you will have thousands and thousands of different small ports. And the idea, of course, is that it's impossible to serve that kind of small market segment with on-premises software and dedicated teams. So Octopi's solution will be could-based, SaaS-based solution. They will obviously take an advantage of the Navis network and Navis brand name to leverage on that one. But it will enhance Navis sales to a certain extent. But obviously, the revenue per customer will be relatively limited but it will be again SaaS revenues. So that will be the kind of revenue profiles that we seek and into further software expansion.

Magnus Kruber: Okay. But you think the market could be of a similar size or half the size? Or any view on that? It makes the difference, of course.

Mika Vehviläinen: It will be smaller than the current Navis market which is a very large market. But that, again, the penetration is probably a bigger driver there than the actual size as such.

Magnus Kruber: Thank you, that's very useful. And finally, could you expand a bit how you think the mix is going to change in here going into Q2 versus Q1?

Mika Vehviläinen: I think we will see the situation gradually improving in higher margin product areas and I would see that that will then reflect on the gradual improvement on the product mix from the Q2 onwards.

Magnus Kruber: Okay, got it. Thank you so much.

Mika Vehviläinen: Thank you.

Operator: Thank you. As a reminder, ladies and gentlemen, it's star one to ask a question over the phone. We will now take our next question. Please go ahead, your line is open.

Johan Eliason: Hi, this is Johan from Kepler Cheuvreux. Just a question on those numbers that Mikko mentioned on the order intake. Was that adjusted for both acquisitions and currencies or just acquisitions?

Mikko Puolakka: Only with the acquisitions. The currencies had 1% to 2%-unit impact on the orders. But basically, the M&A acquisitions and divestments have the major impact on the kind of order change.

Johan Eliason: Okay. And then, associated income was slightly negative. When should we expect to see that number turn positive again considering your significant increase in orders for larger equipment in Kalmar?

Mikko Puolakka: That should improve when the percentage of completion or the kind of progress in those projects will advance some of these orders we have been receiving in the latter part of last year. So it takes some time before we get bigger volumes in the deliveries. But throughout '19.

Johan Eliason: And then on your net working capital situation, still sort of increasing during Q1 versus end of last year. When should we see the big release coming?

Mikko Puolakka: This is very much related to the, I would say our Stargard operations. Especially in Hiab, to a certain extent in Kalmar, we have still some backlogs. So gradually when we are sorting out supply chain related issues, then we expect also that the working capital especially the inventories should be then notably down from the current levels.

Johan Eliason: So it should be sort of in line?

Mikko Puolakka: Yes, gradually in the second half of this year.

Johan Eliason: Yes. Okay, good. And then just some IFRS 16. You said the debt you've assumed there. And depreciations related to that, how much will that be?

Mikko Puolakka: Basically, we have estimated that the IFRS 16 has a roughly EUR 7 million positive impact on 2019 results.

Johan Eliason: Okay. But the depreciation impact, how much was that in the quarter and how much do you expect for the full year?

Mikko Puolakka: Let me check from the notes.

Operator: We will now take our next question.

Mikko Puolakka: Yes. Roughly – yes, if we look at the depreciation, it's roughly EUR 4 million on the machinery and equipment and then EUR 6 million on land and buildings, mainly buildings. So it's basically the Note Number 6 in our interim report. And when you compare the Quarter 1 '19 depreciation versus the Quarter 1 '18 depreciation, that's more or less the difference, roughly EUR 10 million.

Hanna-Maria Heikkinen: That's on page Number 35 on the interim report, if that helps you, Johan.

Mikko Puolakka: Yes. Note Number 6.

Hanna-Maria Heikkinen: Do we have further questions? Do we have further questions from the line?

Operator: We do have one more question queued up over the phone.

Hanna-Maria Heikkinen: Okay.

Speaker: Thanks for taking my question. In the context of the growth seen in the software and services through the Navis automation solutions, such as Bluetracker, can you comment on the possible impact or opportunity that the IMO 2020 software regulations or any further regulations provides for Kalmar and the software business going forward?

Mika Vehviläinen: I would say that there is not a direct impact from the IMO regulation or generally, I would say that the pressure that the sustainability and the CO2 has in that one. But obviously when the industry overall is seeking for a more sustainable way of conducting business and shipping, the digitalisation is one of the best leverages that the industry would have in terms of the kind of more accuracy of the shipping arrival times, how the ships are loaded and unloaded. And optimising that one has a potential larger impact on the CO2. So indirectly, the requirements for the maritime industry for more sustainable transportation will benefit our software industry.

Speaker: Thank you.

Operator: Thank you. You do have further questions queued up over the phone at this time. We will now take our next question. Please go ahead, your line is open.

Karl Bokvist: Yes, hello, this is Karl Bokvist from ABG. Thank you for taking my question. My first one concerns Kalmar. And how should we think about margin development in the coming quarters? I mean if we look at Q2 '18, the year-on-year margin was fairly negative. So perhaps that was a temporary effect. And how should we think about Q2 '19 versus Q2 '18?

Mika Vehviläinen: I think in terms of Kalmar margin improvements, we will see further improvement on the year. I mean overall, if you look at our guidance for the year, and it's fairly clear that MacGregor's contribution for the margin improvement this year is not going to be great, so the margin improvement will come from Kalmar and Hiab businesses.

Karl Bokvist: Okay. And – because I mean should we expect then an accelerating margin improvement or will we see a development in line with the Q1 improvement or how should we think about this?

Mika Vehviläinen: I think the kind of – you would expect to see a sort of a gradual improvement from this one onwards. And I think if you look at the profile from last year, it's probably not that far off.

Karl Bokvist: Okay. And then I have a more long-term question. If we look at your ROCE target, and let's say 15%, in your own view, how far ahead in time are we from reaching 15%? And how do you plan on reaching it? Is it mainly focused on improving margins or is it in terms of having a more efficient capital base?

Mika Vehviläinen: Yeah, the capital has a fairly slight impact on the ROCE. Obviously, we have a lot of opportunities in our supply chain to get this inventory level down. But the biggest lever by far for the ROCE is that improving operating margin. I mean one needs to remember that in our assets, we have a considerable chunk of goodwill, about 1 billion. And that sets kind of limits on the assets side for the improvement. So that the big lever is that – and again, when we look at our target of reaching to 10% operating margin, that should then lead us towards the 15% ROCE as well.

Karl Bokvist: Okay. Thank you.

Operator: Thank you. We would now take our next question. Please go ahead, your line is open. Once again, caller, your line is now open. Please ensure you're not muted.

Leo Carrington: So it's Leo Carrington from Credit Suisse. About the FX transaction effects 2019, how do you expect this to play out in terms of timing and magnitude?

Mikko Puolakka: Was the question related to forex impact?

Leo Carrington: Yes, at the EBIT level.

Mikko Puolakka: Yeah, I mean we have not separately guided the forex impact for this year, but gradually should US dollar-euro remain on these kind of levels, we should start to see some tailwind for Hiab.

At the moment, Hiab has not yet been benefiting too much from the strengthening of the US dollar. And the reason is again related to these supply chain issues. We have been hedging the deliveries still on rates, which are prevailing somewhere mid last year, and the delivery, due to the long lead times, those deliveries will be now done in quarter one, quarter two this year.

So that's why you have not necessarily been seeing that great impact – positive impact from the currency yet.

Leo Carrington: Thank you, thank you. And a broader question. What's driving the service growth in Kalmar and Hiab? Is it just the increase and focus from your organisation or is there a change in customer desire to have third-party services in-house?

Mika Vehviläinen: I think it's primarily been our own efforts, the market's been there all the while. And increased focus, changing people, changing system processes, put a more sales efforts in there and tracking better our install base and understanding our capture rates. Quite a large number of efforts and we've been on this track now for nearly three years. So it's good to see that throughout the 2018 and now in the 2019, those efforts are now starting to pay off.

Obviously, we need to do that by market by market, customer by market to win back the business. So effectively, we have left somebody else to eat our lunch in the past years, and now we are now recovering from that one.

Leo Carrington: Thank you. And last question for me, on the acquisitions, excluding TTS, would the acquisitions made in the last year be in line with our respective regional divisional margins in 2019, ie, have the recent acquisitions been accretive or dilutive to group margins?

Mika Vehviläinen: In the Rapp case, actually the – it's a fairly breakeven business as well, but Rapp, so it's – and that's why actually that part of the sales growth in MacGregor – a quite large extent actually came from Rapp, with similar, so the breakeven results to the McGregor business, so it doesn't really have an impact.

In Hiab's case, the Effer actually is dilutive, so Effer's gross margin and operating margin is lower than the average in Hiab base, but it's very much according to business plans we have made. So it's tracking according to that one. At this stage, it's dilutive for Hiab numbers.

If the – the impact of that one is not that significant. If I remember right, Mikko, it's really 10.7% operating margin in Hiab, without Effer, it would have been 11.1% if I remember correctly.

Mikko Puolakka: Yes, yes.

Leo Carrington: Okay, that's very helpful. Thank you.

Operator: Thank you. You have one follow-up first question at this time. Please go ahead. Your line is now open.

Johan Eliason: Yeah, hi, it's Johan here again. I don't know what happened, I was cut off. But just two questions. How do you see pricing developing? I think you talked about price hikes that you pushed through last year but because of long lead times, you have not yet seen those in revenues and margins. Is this still the case or are pricing still going up? And then secondly, you have won a big number of automation projects over the last year, although not all of them are at big value. How is the pipeline for automation projects going forward and is it still this sort of ten to – couple of tens of millions that we should expect? Thank you.

Mika Vehviläinen: Thanks, Johan. On pricing side, you're absolutely true. I mean the – and this supply chain situation is sort of impacting us in many different ways and one of course that has been the fact that even though the list price increases were done already sort of mid last year onwards, the actual – they haven't really bit into the margin situation so much. We will again see gradually those prices increase that they put in effect last year to actually flow through our margin improvements now from Q2 onwards. And also from the – I would say from a raw material component point of view, we see a little bit easing of the pricing pressure. So that's part of the expanding and margin improvement that we'll be seeing through this year.

In terms of automation, we landed one automation deal, one sort of midsized I would say automation deal and one small one in Q1. We see the activity level roughly at the same level as last year and mostly sort of phased investments. There are no larger sort of one sort of very large automation deals in the year term. So the funnel at this stage, so I would say pretty much you would expect to – and we expect this level to continue what we saw last year.

Johan Eliason: Okay, excellent. Thank you.

Operator: Thank you. We have one last question queued up. Please go ahead, caller. Your line is now open.

Magnus Kruber: Hi, Magnus here again. Could you give us a flavour on how the activity level has started in Hiab in April compared to what you saw in Q1?

Mika Vehviläinen: We still see the Hiab demand actually this year to remain at a healthy level. If I look at our own sales funnel and the market indicators, we expect the situation for the time being remaining favourable for us.

Magnus Kruber: Okay, perfect. And then finally, could you talk me through a little bit the activity level you see on the different vessel types? I think you've called out the RoRo in particular as being in this quarter, what do you see for the other types?

Mika Vehviläinen: Overall, the level of activity of course is slow. RoRo has a specific impact for it because it – it's been one of the more profitable businesses for us as last year activity was exceptionally low. It's now visible in our revenues and partly explaining – explains why we don't see margin expansion even though we see kind of little bit sales growth happening in there. I'm very pleased to see again that the RoRo activity has now returned early this year and that the pipeline looks better and that then they're favourable for us in terms of future revenue and margin on that area. Otherwise, on the merchant side and offshore side, the level of activity in different vessels type is well below the historical normal level. I think overall, one would expect in container side for example that the demand is shifting partly from the very large vessels into more into the feeder type of vessels. And we see some demand but well below the historical level for general cargo and bulk ships.

Magnus Kruber: Okay, good. Thank you.

Operator: Thank you. There are no further questions in the phone queue at this time.

Hanna-Maria Heikkinen: There are some further questions from Ruoholahti, I think. Erkki, please go ahead.

Erkki Vesola: Hi, it's Erkki from Inderes again. One final question from me. The component issue is now more or less result, which are the other internal issues you are referring to and that you're now tackling? Is it personal churn or is there something else to that and what do you say – how easily and how fast can these problems be solved?

Mika Vehviläinen: They are primarily related I think to the maturity of some of the processes and we are tackling them with quite an intense programme in terms of the further resources and capabilities into organisation. And then the – the one further issues is the – I would say the very hot job market really we would say across the whole Eastern Europe, but from our case, of course particularly in Poland. And there are certain measures we have taken to secure – to sort of lower the rotational attrition of the labour force in there. I think these improvements are biting gradually but again, as we have guided earlier, we expect the first half to be more difficult than the second half and this improvement will be flowing through gradually, somewhat better Q2 and then further Q3 and 4.

Erkki Vesola: Okay, thank you.

Hanna-Maria Heikkinen: There are no further questions, so it's time to thank you for the active participation. Our Q2 report will be published on 18th July, so see you then. Thank you.