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Hanna-Maria Heikkinen: Hello everybody and welcome to this news conference regarding Cargotec's Q1 2017 results. My name is Hanna-Maria Heikkinen, I'm in charge of Investor Relations.

In Q1, we strong start for 2017 especially in Hiab where we saw record high orders received and profitability. The overall development in Kalmar was also satisfactory. Weak market situation in MacGregor continued, but we succeeded to keep the segment profitable.

Our goal is to grow the share of services and software to 40% by 2020. In Q1, the share of services and software was already 32% and Q1 is actually the first quarter when we are reporting the software sales separately.

Today, our CEO Mika Vehviläinen will start with the group development and then our CFO Mikko Puolakka will continue with the business area development, financials and outlook. And at the end of the presentation, there will be a great opportunity to ask questions. Please, Mika.

Mika Vehviläinen: Thank you, Hanna-Maria and from my behalf as well, good morning and thank you for participating the Cargotec's Q1 2017 conference call.

Let me start with the development. Overall, obviously, satisfied for the fact that the operating margin improved further during the Q1. The Kalmar's profitability was slightly improved and I think that is satisfactory result considering that sales there are flat and we kept on investing which was visible in our fix cost especially towards our software and automation business. However, improving gross margins in Kalmar lead to the further improving profitability in the business.

Obviously, we're very satisfied with the progress we had in Hiab in terms of record operating profit, record orders and record revenues for the Q1 2017. MacGregor market situation continues to be difficult and that was, of course, visible in the further declining sales. And we have to be satisfied for the fact that we are able to keep the business area profitable despite the declining revenues due to the difficult market conditions.

Our orders received and net sales grew in Hiab, they were pretty much flat in Kalmar and further decline in MacGregor's orders and revenues. However, in MacGregor, sequentially the orders there are actually up first time for quite a while.

As Hanna-Maria already said, we are now starting to report separately our software as well as the services revenues that was altogether about 250 million in the Q1 that represented 32% of our revenues.

Talking about market environment for a while, in terms of the container flows ports shipping, the market has somewhat improved from the year over year. Although the growth figures are still not very high, depending on the source, you see content growth numbers somewhere between 2.6 to about 5% growth, clear improvement from year ago, but still below the sort of average growth rates of the previous years. Overall, though, the market environment seems to be improving and especially in our sort of our core Kalmar business in mobile equipment, related services, et cetera, demand continues to be strong.

Another important step that happened during the Q1 was that the – in terms of this consolidation of the shipping lines, all three major alliances now actually have received their competitive authority approvals are now in place. These three alliances represent about 77% of the global container traffic. This would then further improve the visibility among the ports and hopefully lead to the orders also in larger investments. The decision-making so far during the Q1 has been still relatively slow, but as said, Kalmar businesses were really supported by the good, continuing strong demand in the base business.

In Hiab's case, the market environment remains to be good. The US market is still strong and we clearly have seen an improved market conditions throughout the year up there effectively, of course, growth rates still vary from market-to-market but pretty much all the markets are actually showing signs of improvement at the moment and that's obviously also visible in Hiab numbers.

The marine cargo handling equipment market is still weak. However, I would say that we start to be in the stage that we can call the bottom of the market. Now, looking at through the different indicators, the ship building, even though still clearly below the historical average levels, is up year-on-year, as I already said, our orders are still down year-on-year, but this is actually first time after eight quarters of sequential drop that we actually started to see the orders in getting up in MacGregor.

Another important to indicator for us that even though our services revenues in MacGregor still declined somewhat further, the inquires around services are clearly up and also our orders in MacGregor services are now also up year-on-year as well. So there are several signs that point out for the recovery of the market but we expect this recovery to be slow in the coming quarters as well.

In terms of orders received, very good performance by Hiab, really supported by strong demand both in Europe as well as in USA, and Kalmar is pretty much flat. Really, the orders are primarily come in from the mobile equipment. We did not record any larger project or automation orders during the Q1 in the business. As said, MacGregor is still down year-on-year but sequentially up first time for quite a while.

Our order book is actually up, sequentially from the end of last year into that one and overall remains in a good level both in Kalmar and Hiab.

Operating profit improved slightly despite the fact that sales declined, sales declined, obviously, coming from the MacGregor, where Kalmar was flat and Hiab up. And that sales improving profitability really is coming primary through the gross profit expansion. The gross profit is improving due to the investments we have done in the R&D that is improving our product performance more competitive, better cost points on the products, better projects execution as well as to improving mix in our businesses as well.

As Hanna-Maria already said, we have now decided to start to report our progress against the 40% target in software and services. Last year, our service and software combined revenues was slightly over €1 billion. In Q1, the number was 250 million and representing 32% of the sales.

When I look at the services performance across the business areas, I am satisfied with the Hiab performance, services up by 7%. Kalmar services businesses up by only 3%, which is not a satisfactory number. However, the sort of base Kalmar services business representing maintenance and spare parts was actually performing more strongly, but we had some weakness in the project-based services business, such as the crane upgrades in Q1.

In MacGregor, services revenues were still down due to the weak market but we clearly started to see throughout the quarter inquires coming up and also our services is orders were up year-on-year at the end of the quarter.

Software business growth was obviously satisfactory, by 28%. Obviously, the numbers are still small and some of the larger orders can lead to the lumpy business in the performance. But we are clearly on the right track and we see good demand and a stronger position for our software business, both in terms of the Navis, representing terminal operating systems, port automation and other software development as well. Obviously, our target is still 40% and we have a long time to go, but the direction is, at the moment, correct.

And before going to business areas, we actually announced in connection of our annual general meeting, the eco-efficient product portfolio for Cargotec. Why did we do that one? It's very clear that the eco-efficiency and environmental issues are getting increasingly important in transportation and logistics, driven by end-user demand, driven by the different government and regulation, both locally as well as globally. And with our investments further into R&D in terms of electric products, hybrid, software and automation, we can clearly see there's as an opportunity to further leverage our investments and build further competitive advantage for Cargotec.

When we look at our offering in eco-efficient products, we can characterise that in four categories. To one, clearly, the biggest potential overall in industry is the overall system efficiencies. Here, our increase in software offering gives better visibility for our customers in the logistics and transportation to optimise the cargo flows and remove unnecessary moves and transportation as well. This is a big improvement opportunity and business opportunity for us as well.

We are providing further products in environmental industries such as wind farming, waste management, recycling, et cetera, across our three business areas. Our investments in the further product development, especially around the hybrid technology and electric technology are important in increasing emission efficiency and this is clearly becoming a competitive advantage for us.

Last but not the least, the resource efficiency in terms of the rebuilding, refurbishing and upgrade of our equipment also improves the eco-efficiency of the industry.

Overall, the eco-efficient product category represents about 20% of our revenues and we expect that to increase in the coming years.

With that one, I'd like to hand over to our CFO, Mikko Puolakka, who will cover the business areas and the financial side. Thank you.

Mikko Puolakka: Thank you, Mika, and also good morning from my side. If we start first with the Kalmar where the quarter one profitability improved nicely, the orders received increased in Americas and in APAC and amounted €448 million for that total Kalmar.

We saw growth in mobile equipment, Bromma, as well as nice growth in Navis orders. Kalmar sales were €364 million for quarter one, that is minus 1% compared to last year's level. We saw growth in service sales, 3%, and then also software sales were growing like indicated by Mika earlier.

Operating profit improved from last year's levels by 9% and also the relative profitability improved from 7.0% to 7.7% and the improvement is coming from favourable sales mix, new products or renewed and then more efficient project management.

Then moving to Hiab where the quarter one was record quarter in – basically, in all financial indicators. Orders went to €288 million, that is an increase of 5% and basically orders were growing in all three regions. Also, we see orders growth in all our main product categories, tail lifts, loader cranes, services and demountables.

Order book decreased slightly, and sales were €270 million up by 10% compared to last year. Also, sales grew basically in all our product categories, so very nice development in there.

Operating profit was almost €40 million, that is a 22% increase year-on-year. Also, the relative profitability improved from 13.2% last year to 14.6% this year. And the improvement is coming very much from new product launches and then increased volumes.

Then moving to MacGregor, where, as indicated earlier, the quarter one was still weak from market point of view. Orders where €121 million, that is a 30% decline year-on-year. Orders decreased in EMEA and in APAC but improved from low levels in Americas.

Looking sequentially, our orders in MacGregor grew by 21% from quarter four 2016. And also as Mika indicated, we saw a nice growth in services orders.

MacGregor sales were €160 million in the first quarter down by 26%. We have good sales growth in roro, but the other divisions declined. Profitability declined from €9 million last year to €2 million this quarter and relative profitability was 1.5%. We were able to maintain the black numbers, thanks to active cost efficiency improvements.

Our cost savings programs are proceeding according to the plans. We have two major restructuring programs ongoing. In MacGregor, the €25 million programme started last year. So far, we have made €5 million cost savings from that programme in quarter one and anticipate that the full run rate should be visible in the second half of this year.

We are also proceeding according to the plans in Kalmar’s production transfer from Sweden to Poland. And from this programme, we are anticipating €13 million savings in 2018. We also continue with product redesign activities as well a project management development during this year. We have also, as communicated earlier this year, started an investigation to improve our possibilities to increase the operational efficiency internally. And this investigation is proceeding also according to our expectations.

Then a few highlights about our financials. Mika went already through the orders, order book and sales. There, we had a negative growth or decline in quarter one, and this is basically coming from MacGregor’s weak market situation. Hiab was flat and – sorry, Kalmar was flat and Hiab was very nicely growing.

Operating profit, €59 million for the quarter and very much coming from Hiab's good performance. Also, Hiab share of the total business grew from 29% to 34%.

Earnings per share, €0.57, and excluding the restructuring charges, €0.60.

Our quarter one cash flow was impacted by the negative working capital development. There, we had basically negative development coming from the growth of certain business which are tying more working capital. Also, one has to remember that this working capital is a snapshot of one day and there are certain shifts between quarters, as you can see between quarter four and quarter one this year. Also, the advances received declined by €20 million from end of last year and this is very much coming from the low project orders in Kalmar as well as in MacGregor.

However, looking forward, we see that there are no fundamental changes in our cash generation capabilities. So this is a shift between quarters.

Then, looking at our financing structure, the net debt increased by €130 million and was €631 million at the end of March, we paid dividend of €57 million in March. And we had taxes and financial items €64 million in quarter one.

The average interest rate has decreased from 2.3% to 1.8%. This is very much thanks to the 250 million new bonds issued in the first quarter.

Our loan portfolio is very diversified. There are roughly €700 million from bonds, €425 million from bank loans and then we have unused credit facilities, €300 million, plus, on top of that, €290 million of cash.

The maturity profile is also very balanced, €28 million loan repayments during this year. And then also in the coming years, we don't have any bigger repayments.

Looking at the long-term trend, operating profit margin and ROCE have been improving. Operating profit margin from last year's 7.1% to now, 7.5% in quarter one. And then return on capital employed improved from last year's 8.8% to 9.5%.

And then our 2017 outlook, we reiterate the guidance given in the beginning of the year. So the operating profit, excluding restructuring costs, for 2017 is expected to improve from 2016.

So with those words, I would hand over back to Hanna-Maria.

Hanna-Maria Heikkinen: Thank you, Mikko. Then we will continue with the questions and we will start with the questions from Ruoholahti.

Erkki Vesola: Hi, good day. It's Erkki Vesola from Inderes. Two questions if I may. First, you talk about the positive mix impacting Q1, especially in Kalmar. Looking at your current order book, should we expect the mix or how does the mix look like and should we expect the positive momentum to continue there?

Mika Vehviläinen: In Kalmar, in terms of gross margin, there are no significant changes between the Q1 and the order book at the moment. I think the bigger potential automation project orders would not, I think, expected until the earliest second half of this year. That would then relatively change the mix of the order book. But then one would also obviously expect a higher order book by that time as well.

Erkki Vesola: Thank you. That actually would have been my second question regarding shipping alliances. Do you see them getting their act together pretty fast so that they would be ready to launch automation projects?

Mika Vehviläinen: Yeah. I think the first important step is now taking at the early April, that the last two remaining alliances now got their competitive authority approval. So the consolidation is now in place. Obviously, how fast will that then give the visibility for the ports in terms of the traffic and how fast will then the ports be able to make potential investment decision based on those forecasted traffic volumes is still slightly open to industry historical has never been particularly fast on that one. So we don't expect any faster reactions at that.

Hopefully we would start to see an improving order intake or order intake generally and the automation projects during the second half of this year already.

Speaker: Okay, thank you.

Hanna-Maria Heikkinen: There are further questions from Ruoholahti.

Speaker: Olli Herrala, Kauppalehti. Yeah, I'm asking about – you mentioned those cargo flows and container traffic. What's the current situation? You mentioned something about picking up slightly, right?

Mika Vehviläinen: Yeah, if you look at the numbers, we had a very slow growth at the early part of last year, one point some percentage points. Now, depending – there are two different sources. The Drewry which we use is now effectively saying that the growth during the Q1 was about 2.6% each. There are other sources that they are indicative and higher than 5% growth at the moment but the Drewry is the one we use. We see increasing activity overall in the content traffic and ports at the moment.

Hanna-Maria Heikkinen: Are there further questions from Ruoholahti? If not, then we will continue with the international questions.

Operator: Thank you. If you would like to ask a questions, please signal by pressing star one on your telephone keypad. If you are using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. Again, ladies and gentlemen, please press star one to ask a question. We'll pause just for a moment to allow everyone to signal.

Our first question comes from Manu Rimpela from Nordea. Please go ahead.

Manu Rimpela: Thank you and a good morning. My first question would be on the better project execution that you mentioned is one of the reasons for the improvement in margin. So could you just help me understand within what division that is and what is that in practice?

Mika Vehviläinen: In practice, this really relates to the two of the three business areas. Obviously, in Hiab, we have not really a project type of business. In Kalmar's case, that's really largely – large port deployments, automation projects or other heavy projects that we have had issues in the past years. We clearly have invested in the past three years in our project execution capabilities, bringing in new competence and talent, bringing new tools and systems and we see expanding margins in our projects.

In MacGregor also, more focus has been sort of paid in terms of margin recovery and managing the projects especially on the offshore side and both of those improvements in Kalmar as well in MacGregor in the project margins are visible into improving gross margins.

Manu Rimpela: Okay, thank you. And then in terms of the internal cost savings measures that you mentioned, can you just help us understand if have you been able – are you going to quantify them or have you been able to – how far are you in that process and what should we expect from those savings?

Mikko Puolakka: So as mentioned, we are proceeding in those analysis. We will come up with communication when we are ready with those, so not yet fully completed. So require some time still.

Manu Rimpela: Okay. And then in terms of the Hiab and the Kalmar. So if you take the Hiab orders first, so where do you see Hiab in the cycle if you look at the kind of a bigger picture? Are we – in terms of the construction markets, so it looks like your Europe is only starting to recover, US has been pretty good for some time already. So where do you see that they'll be kind of see still structural growth going ahead or cyclical growth ahead if the market fully recovers? Or are we already in peak levels?

Mika Vehviläinen: Yeah, I mean, generally, if you look at the construction site, because, as we know, they tend to be quite long. So in US, clearly, we have seen a strong market. When I look at the construction output forecast, one – actually, one expects that 2018 to be even stronger than 2017. At this stage, we still see a strong demand continuing in US as well.

In Europe, I would say, that we are starting to see that early parts of the cycle kicking in and one would expect if things go well as they look at the moment. And obviously, there are a number of uncertainties around the politics, et cetera, in Europe. But the way things look like at the moment, we would be at the beginning of a fairly relatively long sort of positive construction cycle in Europe as well.

Manu Rimpela: Okay. And would you able to give similar comments for Kalmar order intake in terms of just the mobile equipment business? Because I think that's been quite strong for some time now already.

Mikko Puolakka: It's been strong for some time and we expect that to remain strong actually across the whole three geographies. So US is still doing pretty well, Europe as well and also Asia-Pacific including China is sort of remaining at a fairly strong level at the moment.

Manu Rimpela: Okay. That's all for me, thank you.

Mika Vehviläinen: Thank you.

Operator: Thank you. Our next question ladies and gentlemen comes from Ante Sutherland[?] of Danske Bank. Please go ahead.

Antti Suttelin: Hi, this is Antti. Automation, you've said for some time that there is a strong interest and this and that, but we don't really see this taking off. Why is that? What is the problem keeping your clients not automating?

Mika Vehviläinen: I think one of the bigger factors has been the uncertainty rate of the future traffic volumes in imports and that was really related to the strong consolidation of the shipping lines. As I already said, we now have actually that consolidation in place from the regulatory point of view. So that uncertainty should start to be lifted. Obviously, the work in these alliances is still somewhat sort of work in progress in terms of the new services and traffic patterns, but that should then start to give the clarity for the industry.

I think, overall, the industry is generally quite conservative. Decision making has been in the past and continues to be slow as well. So there is just a sort of I think a timing element of that one. And we hopefully start to see the clarity and hopefully start to see first decisions to be started to make it here in the second half of that this year.

Antti Suttelin: Yeah, and if you think about your own discussion activity with your clients, do you see that there is an improving trend?

Mika Vehviläinen: There's an improving trend. There is a number of active discussions that have been actually going on for a while. It's sometimes frustratingly slow though, the decision-making in this industry, but I think we are getting there.

Antti Suttelin: All right, good luck. Thank you.

Mika Vehviläinen: Thank you.

Operator: Our next questions ladies and gentlemen comes from Paul Dethierry of Kepler. Please go ahead.

Paul Dethierry: Yes. Good morning gentlemen. Firstly on Hiab, how high do you think Hiab margins can improve from here? Obviously, your record levels as it is, but given the number of new product launches which I understand are at higher gross margins, given the US housing starts are still well below their long-term trend, given the recovery in Europe, given your focus on services and spare parts, I mean, could they potentially go to 16% or 17% or is that too optimistic? That's my first question.

And the second question is, could you give some granularity on the growth in software where you're seeing this exactly. You mentioned there is port automation, but just a bit more granularity on how we should look at the growth and the potential growth in software. And then turning on to automation, is automation in ports or are you doing – is there much demand coming or potential demand coming from inland logistics? I have more questions but I'll just keep those three for now. Thank you.

Mika Vehviläinen: Okay. Thank you. Starting with Hiab, I think that Q1 margin is a fairly good sort of benchmark what one would expect to see throughout the year. There are opportunities still to further drive efficiencies in number of areas that you actually describe yourself very well. However, against that one we clearly also are pushing more into the growth, in Hiab, one of the development areas being – developing markets, where our market positions today are still relatively weak and those investments and potential drive for seeking further growth in those markets are likely to be depressing for the margins, so those two things probably works against each other at this stage, so I will think that right now what you are seeing in margin level, although it's a fairly good assumption and as a margin for Hiab for this year overall.

Paul Dethierry: Is all your – is all your R&D expensed?

Mika Vehviläinen: Yes, it is.

Paul Dethierry: Okay.

Mika Vehviläinen: Sorry, the second question was…

Hanna-Maria Heikkinen: About software growth.

Mika Vehviläinen: Yeah, so in software, obviously the automation is one part of this software, and the market it is steady, but as we have already discussed, it has not accelerated yet, the further automation investment decision would start to drive software – automation software business in there but that's still sort of waiting for further decisions from the port operators. Where we see a good strong development is actually in the Navis software part. Navis is clear market leader today in the terminal operating system, the ERP for the ports when it comes to automated ports, Navis is the only commercial solution effective available today for the ports.

The further automation we see, the more we will see that business to be driven but the big thing – the upside we have in the Navis in the non-automated ports is that roughly half of the market is still today in-house systems, the other half is commercial systems and now the first commercial systems, Navis has the lion share. We see further and further moment within the port operators coming to a realisation that continuing to develop your own in-house system is just adding complexity, it's not really core for your business success and we actually see, and I think I will be able to see strong movements and people actually walking away from in-house ERP systems as we have seen in other industries and that's going to be one source of the growth for the software as well.

Paul Dethierry: And then any inland logistics?

Mika Vehviläinen: Inland logistics, yeah, it's – the inter-modal is actually clearly an interesting area, then we also see interestingly few projects there, people who are actually looking at the possibilities to do more of the port and logistics operations further out in inland, and the idea there effectively is that the land is very expensive in port, you have a certain labour union issues as well that people are looking at the approaches where you would have minimised the port facilities, and then you would actually sort of feed in the container traffic from them, sort of, minimal port facilities directly in line by straight rail connections and do the most of the container operations and potentiallly some logistics operations, actually, further into inland with a clear lower land and labour cost as well and there are three of those kind of projects cooking up which look quite interesting.

Paul Dethierry: Thank you. I have more question but I'll let others go first.

Mika Vehviläinen: Thank you.

Operator: Thank you. Our next question comes from Johan Eliason please go ahead.

Johan Eliason: Yeah, hello. We are keeping you busy today. A few questions from my side as well. And just on good margins in Hiab, could you give some detail on the currency impact in the quarter and how you see that impacting the following quarters? Then focus on the software again, you said it was up 28% year over year, could you sort of scrape out Interschalt acquisition and what was – what was the underlying organic growth for the rest of the business? And then thirdly, I noticed your associated income is down by almost half. Yesterday we had a profit warning from Rainbow Heavy where they guide for their H1/2017 earnings to be almost cut in half, blaming lifting orders and I guess lifting orders related to your joint venture there. Could you give an outlook for what you see in terms of associated income for the full year for you? Thank you.

Mika Vehviläinen: I think Mikko will take the first and the last one, and then I'll talk about software in between.

Mikko Puolakka: Okay. So if we start from the currency impact, there was roughly 1% unit impact in Hiab's sales and orders, so no major impact actually overall and then for the profitability, it's really marginal we are talking about some – a couple of million euros. Of course it's always a kind of – to a certain extent, a plus-minus game because we also hedging the FX position, so I would say that currencies did not significantly impact Hiab's result.

Mika Vehviläinen: In terms of the software, we don't separate the Interschalt. The growth primarily came as I said from the Navis, sort of terminal operating system side. The Interschalt software sales is an input and part of that one but the customers, they are or primarily shipping lines and as we have seen the sort of the financial situation in the shipping area and the number of new ships built so that has clearly sort of slowed down. So we haven't seen a significant growth in the Interschalt software business, the growth is primarily coming from the port software investments at the moment. Mikko, going back to you, I think.

Mikko Puolakka: Yeah, concerning the results of the joint ventures and associated companies, yes, the results went down from €2.7m to €1.2m this quarter. This is more or less the kind of volume question concerning the Rainbow Cargotec industries. What comes to the Rainbow Heavy industries, I mean, our roughly 8% ownership in that company, last year, we had a significant loss on the company, roughly 3 million euros, this quarter basically it has been plus/minus zero.

Mika Vehviläinen: Talking about that one and those who actually still see the slide on that one, one important step in the development of the joint venture with Rainbow Heavy, was investment into the new jetty or qyay on that one and as you can see from the picture, if it's visible for you, it's a fairly significant investment and a big part of that one, you see, actually the factory buildings and manufacturing in the background but this enables us now to load heavier cranes directly into ship and avoid the erection and build-up on the customer side in the higher cost countries. Those form sort of cranes there are RTGs actually going to a Chinese customer in the picture.

Johan Eliason: Okay. Thank you very much.

Operator: Thank you. As a reminder, ladies and gentlemen, please press star one to ask a question. Our next question comes from Philip Saliba of HSBC, please go ahead.

Philip Saliba: Yes, hello. Thank you for taking my question. I was wondering how you see the pick-up, in general, the PMIs in the emerging markets whether did it affect you positively for instance in Hiab, have you see some improvement there? And also then relating to a Hiab, how many more product releases will we see throughout this year and will they be able to contribute to a further gross margin improvement?

Mika Vehviläinen: In the PMI indexes, and I'm sure many of you follow them probably more closely than I do, I think that generally, the development is positive in Asia, as well as some developing countries. From Hiab's point of view, the impact of that one is not that significant. Our key development area clearly is to increase our presence in many of the developing countries in Hiab's case. Our markets are very much in the sort of more developed western European and North America markets. And the opportunity for us is to grow organically as well as inorganically in those countries but that's very much a work in progress and I don't expect that to have any significant impact for our numbers 2017.

In terms of the product renewal, we are further accelerating our R&D overall. I cannot remember the exact number of products now that we will be launching, but that will be higher than the last year numbers that was already fairly significant, so.

Mikko Puolakka: Fifty-four.

Mika Vehviläinen: Fifty-four, was last year, and this year we expect actually some of the more new product launches. Obviously those 54 introduced last year are the ones that will be primarily driving the margin now and the new product introductions will always take some time to get into the market but there are opportunities in the margin expansions there and you weigh that against the sort of – and our desire, at the same time to sort of grow the business and set revenues as well.

Philip Saliba: And then relating to Kalmar you talked about the healthy development at your mobile equipment business. If we strip the two parts, how much has the mobile equipment business grown and how much is coming from port automation deals that are delivered? And also looking in general, into 2017, how much port automation will be delivered? I mean, you had in Q4 '16 a good order intake and then also in 2015, we had a good order intake, so anything from '15 still stretching into '17?

Mika Vehviläinen: Let me just start with that last one. I mean, I still remember there are orders that I think in ’15 that are still stretching in ’17, but those are not significant, those are probably tail ends of the implementation projects we have, so we probably talk about a few millions here and there. Generally, the implementation of these ones are sort of 12 to 24 months in their overall. If I look at the then – the sort of development separately from revenue point of view between the mobile equipment and so the base business and then the larger automation and projects, because I don’t think there is a significant difference and I’m looking at – at the same time in Q1, so both were fairly flat compared to the same time previous year.

The order intake I think was slightly more favourable to us in mobile equipment and as I said, we didn’t land any major orders in the project and automation side in the Q1.

Philip Saliba: And then that’s Q4 order that we see now? The port automation order, that will still be delivered in this year or the next year?

Mika Vehviläinen: Most probably I think that would be delivered next year, some of that fund are already towards the tail end of this year.

Philip Saliba: Okay. Thank you very much.

Mika Vehviläinen: Thank you.

Operator: Once again, ladies and gentlemen, please press star one to ask a question. Our next question comes from a follow-up from Paul Desiree[?] of Kepler[?] please go ahead.

Paul Dethierry: Yes, thanks again for taking my question. Looking at the automation – port automation – am I right in my thinking that the existing port, so let me start again. Actually, maybe one question. Of the global number of ports, I believe there are 500 ports globally, of which 250 have enough container volume throughput to make it sensible to look at automation.

Can you give us a figure of just how many of the global ports have any form of automation? Either fully automated or semi-automated. That's the first question.

And then in terms of the way you expect the projects to come from for automation, will that be the existing ports that have already been awarded the contracts from the global container lines, or will it be more from the ports that missed out and therefore they have now let's say five years to get their house in order, or four years, and to bid for the next round? We were down at DP World, and I gather the container contract that they want from the alliance, was a five-year contract, is that normal within the industry? So that's the sort of on the automation side.

Secondly, on the restructuring cost, just what – how much of this is an on-going measure and what sort of burden do you expect those to be on a sort of on an on-going basis? Thirdly, is the whole R&D expense in all the divisions?

And then lastly, this is a question for the CEO. I mean, you've, you know, you've done a great job so far. I'm just looking at your history at Nokia, Siemens and then at Finnair and now at Cargotec. I mean you seem to enjoy sort of turning around the ailing companies. Are you content with your package at Cargotec or do you tend to sort of go on to a new challenge?

Mika Vehviläinen: Thank you for the question. Hopefully, the Board is listening as well.

Let me start with the port side. Yeah, those numbers that you said is absolutely on the right ballpark. Of course, within the port itself here, we'll have a number of different port operators. Some of them might have quite a large part. So overall, when we look at the potential customer base that has enough volume at the business case for the port automation is that the number we would be looking is 400 to 500.

It's not different, I think. Your number is 250. It's probably the number of ports but within those ports, you will have, in some cases, multiple operators. That's the potential customer base. Now if I look at that one, about 20 of them have some sort of automation. Very, very few of them have a sort of full automation. Actually, automation starts from them picking the container from the quay site and taking it on the first sort track flatbed or railway. For example in DP World in London, the truck loading and the stacking yard is automated but the horizontal transportation that takes the container from the quay into the stacking yard is still today manual, although, the equipment we have delivered have automation capabilities.

The only one, I think, that would be sort of end-to-end automated at this stage is the Los Angeles port operated by Trapac, that has our automation system in there. So even within 20 or so, there are still parts that have not yet been fully automated on that one. I see no reason why not all of those 400 to 500 ports would be eventually automated. The business case is so highly compelling.

We see today that the automated ports have been now in use for a while where the technology is advancing, the maturity is advancing, are able to get to the same performance levels as the manual ports. I think when the technology matures, I see no reason why the ports would not operate more efficiently from the moves per our point of view.

However, already today, when you have the same performance from an efficiency point of view and roughly half of your labour cost are out which are 40% to 50% of the operating cost, that effectively means that your cost per move is down by 20% to 30%. That's such a significant change and saving that I think for the ports will see. And that's very visible now in Australia where we are now automating our fifth port is that you get to this kind of pivoting point where the competitive pressure will drive both operators into the automation.

But obviously, we are at the very early stages of that one. So hopefully that sorts of answers that question. In terms of R&D expenses, all the new R&D projects – and that's a very significant part of our R&D is expensed. There are some tail ends, I think, a few million Euros maybe of the older R&D projects that had been capitalised in the past and we will run those in the end. They don't really have a very sort of significant bearing to that one. I strongly believe that the only way to do that one within the IFRS limits is to expense at the R&D while you go on.

Then there were questions about restructuring cost, I don't know Mikko if you want to.

Mikko Puolakka: Yeah, I can take that one. In quarter one, we had €3 million restructuring charges and those were related mainly to Kalmar and MacGregor on-going programmes – those programmes, which have been started in 2016 or earlier. We anticipate around €5 million from these programmes during this year, so not that much anymore going forward. So most of the actions, for example in the MacGregor restructuring have been taking place. Some reductions will happen still later this year.

And then the Kalmar products and transfer continues during this year but no – that kind of charges anymore, what we took in 2016. Of course, if we decide for example for further restructuring, that's a separate programme then but not anymore big numbers from the existing on-going programmes.

Mika Vehviläinen: Yeah. Head back to the question about myself. First of all, I was in Nokia for 17 years. I went through the growth phase as well as in the restructuring and the integration with Siemens as well. Finnair was very clearly a turnaround case. It was always kind of a project for me. Personally, I knew that there was work to be done. I'm, you know, still sort of satisfied of what we're able to achieve there. And obviously, the companies today, are in much better shape. And I look at the Cargotec, I think we are only sort of concluding the first phase of the transformation that is ahead of us.

The first phase of any transformation, of course, is that you have to create the space for yourself to be able to invest, and that's very visible. We've been able to ramp up our R&D cost by more than 40% in the last couple of years. We are still investing further. When I look at the industry via survey logistics, it's surprisingly unsophisticated in many ways in terms of utilising data software digitalisation overall. And I think there are fantastic opportunities for us to really address those demands.

You know, in many ways, I look at the port operators, they remind me of the telco operators in the late 80s with very much in-house systems sort of fairly conservative approach. And if you look at what happened there, I think the digitalisation, data and software will transform the logistics industries. And I think we have a great opportunity to actually address that one. I very much hope to be a part of that opportunity going forward as well.

Paul Dethierry: Excellent. Thank you.

Hanna-Maria Heikkinenr: Thank you. It seems to me that there are no further questions. Actually, there is one more from Ruoholahti.

Erkki Vesola: Yeah. Erkki from Inderes again to finish this up. You've got highly outsourced manufacturing or operations – we know that. But how much pricing pressures through your supply chain have you seen when we think about steel and rubber prices for instance? And how easy has it been to hand them over to your own product prices, and what's the outlook regarding that?

Mika Vehviläinen: Yeah, that's a good question actually. When I look at our cost of goods sold – about out 30% of our cost base is actually affected by the increase in steel and raw material prices as our setup is such that we don't effectively buy directly raw materials because we are in assembly operation mostly. This will, of course, come indirectly to us through our component suppliers and others, and clearly, there are price pressures and obviously, our sourcing is doing their best on that one.

And at the same time, with the increased R&D resources, we've be very focused on successfully driving the designed cost initiatives down. We still expect our design to cost to have a positive impact in terms of our margins today. We will see further reduction in our product cost but that pace is lower this year than it was in the last two years because the raw material cost are somewhat fighting on that one. So overall, we still expect the lower product cost but the deceleration or the reduction is somewhat then compensated by the increases coming through the components for us.

Hanna-Maria Heikkinen: Thank you. Are there any further questions? There seems to be none.

Then I would like to remind you of our upcoming investor relations events. First of all, on the 1st June, we will host Software Day here in Helsinki. That's a great possibility to learn more about our software pieces and the possibility is there. Then we will host the site visit in Shanghai together with some other Finnish companies, Valmet, Stora Enso and Kemira. It's on the 15th June. Then we will host Capital Markets Day in London on 12th September. And then, Q2 report will be published on 20th July.

Thank you for the active participation on this news conference.