**Conference Title:** **Cargotec - Financial Statements Review 2016**
**Moderator:** **Hanna-Maria Heikkinen**
**Date:** **Wednesday, 8th February 2017**

Hanna-Maria Heikkinen: Good morning everybody and welcome to this news conference regarding Cargotec Financial Statements Review 2016. My name is Hanna-Maria Heikkinen and I'm in charge of Investor Relations. The year 2016 was a good year for Cargotec. Our operating profit excluding restructuring costs continued to increase and actually reached the highest level during Cargotec's history. Also our cash flow was strong.

Today our CEO Mika Vehviläinen will first go through the group level development, then our CFO Mikko Puolakka will continue with the business areas and financials and then Mika will finalise with strategy and outlook. So, Mika please it's time to start.

Mika Vehvilläinen: Thank you Hanna-Maria. Thank you for joining this Q4 conference call and meeting here in Helsinki as well. As Hanna-Maria said, the year 2016 was good, or at least satisfactory, for us in Cargotec. We are pleased that the continued improvement in operating profit. If you looked at development from the 2013 until today especially taken into account that the, sort of the, most profitable part of the business in the past years, MacGregor is clearly suffering from a very strong down cycle in the shipping area.

I'm also pleased at the fact that we've been able to drive the operating profit up into the new record in 2016 whilst the at the same time have strongly invested into our business. As an example, our R&D investments have gone up by 43% from 2013 to 2016. Even though this is our highest operating profit, by no means this is an indication that we will be yet satisfied with the level of operating profit. We clearly see improvement areas and improvement opportunities in all three businesses to drive that development further.

Obviously, I'm pleased with the fact that in Q4 also the sales and profitability increased both in Kalmar and Hiab but clearly the very difficult market situation is affecting MacGregor.

The services is clearly the single biggest opportunity in the next few years in Cargotec in terms of both revenue as well as profitability.

The services sales in Q4 were 25% of our revenues. I'm quite satisfied with our services sales development in Hiab. We also started to see the programme delivering effects with 6% increase in Kalmar services during the Q4.

Also, very pleased about cash flow generation, totally for €373 million. I think it's an indication of the good underlying performance as well as our capability to take further net working capital out from our operations.

Last year the market environment varied quite a bit from business area to another. Overall the container growth – container traffic growth, continued but at a very moderate level. However, our driversfor the investments are still there. It's good to know that less than half of the new giant container ships has been delivered yet. And there are a lot more to come in the next two years. This will drive further capacity requirements in container yards about 30% capacity requirements per yard. Furthermore, the change in traffic patterns are also driving the investment requirements. We see increasing interest in the automation projects and we expect further projects to be delivered and acquired during the 2017.

Obviously, with a strong consolidation in shipping market and probably also consolidation to be happening in the terminal market. This has somewhat slowed down the decision making in the ports.

Construction activity has continued to be in a strong level in the US and we expect that market to continue at a strong level also in 2017. And also we have clearly seen an improvement happening in Europe towards the end of the year and that was also very visible in our Q4 numbers.

Marine cargo industry, or the shipping industry, ship building industry, is still in a very difficult cycle situation. The end market in terms of the oil price as well as the freight rates showed some improvement towards the end of the 2016 but we are still at relatively low levels and we don't expect that market to turn around very quickly.

In terms of orders received, I'm very pleased with the order increase, we saw both in Kalmar and Hiab at 13% and 11% in Q4 compared to last year and obviously, the difficult market situation was very visible in the MacGregor market development.

When you look at the order backlog, it's good to note that this is – the 14% decline is very much a question of mix. The longest order backlog, or the longest delivery times, are obviously MacGregor there we have seen a strong decline. Whereas in Kalmar and especially Hiab, the book to delivery times are considerably shorter and that then drives – drives the sort of order backlog profile.

Kalmar's order backlog is actually slightly up year-on-year and Hiab is slightly down year-on- year. Overall, we still see a good healthy order backlog in both of those businesses going into the 2017.

Also pleased, especially with Hiab, profit development, we had some – certain special cost items that Mikko will cover during the Q4 in Hiab that affected somewhat the operating profit margin. Kalmar had a healthy operating profit margin improving during the Q4 and obviously we are managing to keep MacGregor head above the water to break even results also in Q4 despite the strong decline in revenues and orders.

One strong contributor for the improving operating profit is obviously continuously improving gross profit. This is driven by our investments into R&D, with the new, more competitive and more cost effective products as well as the better, higher quality project management in our deliveries as well.

Services as I already said is clearly one of the strong, and I would say the number one priority for us, going into 2017. It's clearly seen opportunities drive both the revenue as well as the profitability on that one. Obviously from MacGregor's point of view, the difficult end market has contributed to the services decline also in 2016. Customers saving in maintenance, cannibalising existing fleet in terms of spare parts etc. I'm pleased with the performance and growth we saw in services in Hiab where the new programs are already biting in. And also pleased at the fact that the new programmes and changes they did in the structure in Kalmar started to deliver results in Kalmar services, also during the Q4.

With that one, I'll hand over to Mikko who will cover shortly the business area.

Mikko Puolakka: Thank you Mika and good morning also from my side. If we start with Kalmar. In Kalmar we had a strong quarter, orders were €440 million. That is 11% year-on-year growth. Also, profitability improved, operating profit excluding restructuring charges were €41.5 million that is a 16% improvement, year-on-year.

Orders in Kalmar improved in EMEA. We saw nice orders in automation and project as well as in services and software business. Order book was more or less on last year's levels. And service sales increased 6% in quarter four.

Profitability has improved in Kalmar, both in automation and projects, in services and software. There you can see also the Kalmar sales mix 2016, 70% of sales came from equipment and service business, 20% from automation and projects, and 10% from software.

In Hiab also strong order, order for quarter four €282 million that's 13% year-on-year growth. Also, profitability improved to €32.9 million for quarter four, that is a 7% improvement. And the operating profit margin improved by one percent unit.

We had good order intake in Hiab especially in EMEA and in APAC and this was very much driven by the significant number of new product launches in 2016. Total 54 new products introduced.

Our sales grow in loader cranes and demountables and as Mika mentioned in the profitability side we had roughly €4 million additional costs which impacted the operating profit margin by 1.5 cent units.

And here you can see also Hiab's sales structure. Out of 2016 sales roughly 80% gained from commercial customers, 10% from large customers and 10% from military customers.

Then going to MacGregor where the market situation was very difficult. This is clearly visible also in the orders. €100 million orders in Q4, that is 44% decline. Orders decreased basically in all regions and in all divisions. We had good sales in RoRo business, other divisions' sales declined. However, we were able to maintain the operating profit positive throughout – throughout the whole year. Even though in quarter four it was only €0.5 million. And looking MacGregor's sales structure roughly one-third is coming from merchant shipping and then – or 75% from merchant shipping and then 25% from offshore business.

In 2016, we had several cost saving programmes undergoing and we have listed here the main impact from those. In MacGregor's area, we expect €25 million cost savings in 2017 from 2016 cost savings programmes. In Interschalt, 2017 cost reductions would be roughly €2 million. We continue with Kalmar's production transfer from Sweden to Poland to our Stargard factory. That is expected to deliver €13 million cost reductions as of 2018. And then we continue also with several product redesign and project management development initiatives.

Of course, we continue also with digitalisation, automation development and leadership development in 2017, as we have done in 2016. We will also investigate various possibilities to increase our operational efficiency in other areas as a part of normal business improvements.

Then looking overall financials. Our full-year orders were €3.3 billion that is 7% decrease and there basically the biggest reduction is coming from MacGregor. Sales were €3.5 billion, that is minus 6% year-on-year. Kalmar and Hiab were increasing, MacGregor decreased. Operating profits excluding restructuring costs, €250.2 million and that is an 8.4% improvement. And also the operating profit margin improved from 6.2 to 7.1.

Earnings per share, €1.95 million, and the decrease from last year is mainly driven by the quite significant restructuring costs of €52.5 million which we incurred in 2016.

Like Mika indicated, we had a very strong cash flow in quarter four and for the full-year, full year €373 million and as you can see €152 million for quarter four.

Our balance sheet continued strengthening, our net debt decreased from €622 million to €503 million at the end of last year. That improved our gearing significantly. Gearing was 36% versus last year's 46.4%.

We have a very diversified loan portfolio having different instruments: bonds, bank loans and other loans, undrawn facilities €300 million. Also the maturity profile is very balanced, in 2017 we have €129 million of loans maturing.

And then looking the long-term profitability trends, operating profit margin continued to improve, 7.1% excluding restructuring charges. Return on capital employed was 8.8% and that has been pretty much impacted by the restructuring charges. Excluding the restructuring costs the operating profit would have been – sorry the return on capital employed, would have been 11.2%. So, also there an improvement trend.

Dividend, our board of directors proposes to the annual general meeting €0.95 per B share dividend that would be 19% increase versus 2015 dividend and represents 49% dividend payout ratio.

And then I would hand over back to Mika.

Mika Vehviläinen: Thank you Mikko. Quick look back at the strategy implementation in 2016, I'm satisfied in terms of the progress being made in our key must win battle areas: digitalisation, services and leadership.

Digitalisation last year, we launched our own IOT cloud analytical platform and had a number of new services introduced on top of the cloud platform analytical capabilities, and we actually have a number of new digital services coming on stream during 2017 as well.
We made very good progress in the connectivity of the equipment, the cost points of the connectivity are coming down and we expect actually that number of connected equipment to multiply during the 2017 as well.

Acquisition of Interschalt added to our services but especially our softer capabilities and gave us a very strong position in ships own computing and software capabilities.

XVELA which is one of the largest investments we have in the software space was in commercial – in pilot phase with the most of the large shipping lines and ports during the 2016 and we aim to commercialise that product during 2017.

Services was a little bit mixed back with the very difficult margin conditions in MacGregor, I'm quite pleased with progress we made in Hiab. And as I already said, the Q4 also showed good indications in terms of our capability to grow services in Kalmar as well.

Personally, and part of our top management spend quite a lot of time in the leadership development here in 2016. And we have engaged and spent quite a lot of time working with our top 250 top leaders on that one and we expect to expand on that programme to a next 800 during the 2017.

Key focus really in 2017 is still drive further the services growth in all three business areas.

We see a number of interesting automation opportunities in Kalmar and we will keenly look at that one. Overall the automation pipeline looks very strong. The question is only when do we actually reach the decision making in those projects.

We also will grow further. We are very pleased with revenue development in soft services and expect to sort of introduce further services and drive further software revenue also during 2017 as well as start to conclude the transformation of the production from Sweden into the Poland in mobile equipment.

Hiab, again, services growth as well as then driving revenues not only from the good demand we see in existing markets but further expand our position in developing markets where the penetration rates of the equipment are still low, as well as we clearly still further operational efficiency opportunities in Hiab. Overall, we still see opportunities to drive Hiab's margin further up from the current good performance already.

In MacGregor obviously services is an opportunity and that probably would be the first indication of the market starting to come back and obviously still very much focused on the operational efficiency. In there the market continues to be weak at the time being and we will have to see when we actually start to see the come back on that area. We saw some uptick on the ship orders during January but the numbers are still overall very low.

At the same time, we will continue to invest in certain key areas in MacGregor such as the digitalisation. We aim to come out of this cycle stronger than we are going into the cycle.

In terms of guidance, we expect our operating profit to improve in 2017 compared to the 2016 operational profit of 250 million. With that one I'd like to thank you for your attention.

Hanna-Maria Heikkinen: Thank you Mika. Then we will continue with questions and we will start with questions from here. Are there any questions to Mika or Mikko? If not then we will continue with the international questions.

Operator: Thank you. If you would like to ask a question, please press *1 on your telephone. Once again, please press *1 on your telephone to ask a question.

Our first question comes from the line of Manu Rimpela. Your line is open please go ahead.

Manu Rimpelä: Good morning. It's Manu Rimpelä here. Can you hear me?

Mika Vehviläinen: Yes we can Manu.

Manu Rimpelä: Okay. My first question would be on MacGregor, could you please comment on how do you see the order intake and the kind of potential need to do more cost cutting in 2017? That if you just look at the Q4 order intakes it was running at 100 million roughly compared to sales level close to 200 million. So how do you see the order intake converging to toward, oh sorry, sales converging towards the order intake and what potential measures do you think that you will have to do if the current run rate of orders still lasts for a couple of quarters?

Mika Vehviläinen: We expect – I think we indicated in the past already that we expect the revenue still to decline further in 2017 from 2016 and the cost measures we have taken during the 2016 are adequate in our view to sort of to be able to be profitable with the current run rate we are seeing. So right now we have no further plans but obviously we will remain alert on the situation and follow the topline.

Order intake is I would say is somewhat difficult to forecast, if you look at overall, the sort of market expectations, as I said, the end market in terms of the freight rate etc. has shown some strengthening in the second half of 2016. And if you look at analyst estimates or forecasts, one expects the ship orders to start to pick up during 2017. How much of that will actually start to then convert into our equipment orders in 2017 remains still to be seen. I don't think this market is going to recover fast but at the same time I would say that we start to sort of reach the bottom in terms of the orders and I don't really expect sort of significant further decline there either.

Manu Rimpelä: Okay, thank you. Then the next question just on Hiab, so could you just specify what these 4 million of extra costs were. And also the same question for the other corporate costs line that was also clearly higher than previously. If you could just give us an indication of what is the run rate for the full-year '17 and what was the higher cost in the Q4?

Mika Vehviläinen: I'll leave the difficult questions to Mikko.

MIkko Puolakka: Okay, thank you Mika. If we start with Hiab so, yes we mentioned that we incurred in quarter four 1.5% unit, percent unit impact, that's roughly €4 million in Hiab's profit and these are related to no individual large item, related to, for example, cleaning of all premises, warranty related costs and then some obsolesce costs, but no single item making the whole €4 million, consisting of various smaller items.

Then what comes to the corporate costs, yes, roughly €7 million higher than in the previous year's quarter four. And as we wrote also in the interim of full-year financial statements, this increase is mainly related to the digitalisation and leadership development. These are the key fundamental strategy actions what they are doing and partially this cost in quarter four is also related to the timing of the costs. Our quarter three costs were relatively low on the corporate level and if we look quarter three and quarter four in total the average is approximately €10 million which would make this roughly this around €40 million. So I would say that 2016 cost level would be roughly a good proxy for 2017.

Manu Rimpelä: Okay. And just to follow up on the Hiab. So you don't see anymore of these types of extra warranty or cleaning cost related. Did you do some sort of specific measures at the end of the year in order to kind of ensure that all the facilities are up to date. Or why did you. Just trying to understand will this happen again in 2017?

MIkko Puolakka: No, I would say that these are more kind of one-time type of cost, the additional, additional cost should not be repeating every quarter.

Manu Rimpelä: Okay, thank you.

Operator: Our next question, from the line of Philip Saliba. Your line is open, please go ahead.

Philip Saliba: Thank you for taking my question. In terms of Hiab's regional end market, could you provide let's say a picture of the mix in terms of the US market and the EMEA market. I mean we've seen results yesterday from the competitor also showing a similar decline in the growth rate compared to the previous quarters. Do you see a general, let's say, slowing construction market, or was '16 exceptionally, or the first half of '16, exceptionally strong and we should now see some slowing then potentially pick up if let's say the infrastructure spending was to increase in the US? So that is the first question.

Mika Vehviläinen: When I look at the end markets, obviously Europe has been a good news and almost I would say a positive surprise for us. And we actually look at the demandnow moving into Europe the construction activity and overall industrial and kind of logistics activity looks to be strong moving into the 2017. We are still optimistic about the US market as well. We actually had a sort of pre-sales event, annual pre-sales event last week in US for logistic equipment, terminal tractors especially, and we actually had a new record in terms of demand. The previous record was 2014 in terms of the sort of preorders for the year and we broke the record in 2007. And overall, talking to our distributors and others, I was there personally last week, I think people are pretty confident about the US demand into the 2017 as well.

Phillip: And in terms of Kalmar? Do you sort of see, let's say, I mean the wording has been similar in the last quarter so it's always – well it's a slow decision making process but now moving towards the alliances emerging and also taking up services in April, the alliance, Ocean Alliance, do you think that is sort of a trigger point that could lead them to more confidence on the port side?

Mika Vehviläinen: It's a good question, overall, if you look at the Kalmar demand, it's good to point out what Mikko showed in his sort of slide and I'm taking it up you can follow that one. About 70% of the Kalmar equipment is sort of mobile equipment, and related to services. And we have seen a steady demand on that one. We actually look at the pipeline and we have very good visibility today with the system and process implementations that we have done through the sales force and we see a strong demand to continue on that one and pretty much in all markets actually at the moment. So that's the sort of steady, lot of that is recurring, replacement business as well. The one that moves the needle more is more unpredictable is the 20% around the projects and automation. We landed one, relatively large automation project in Q4 and we haven't been able to announce that yet due to customer disclose issues as well. And there are a number of projects in pipeline but again the question is the timing of those, how they land during the 2017 as well and that's where the sort of the bumpiness in the order intake will be more visible. So software has continued to increase and that's more recurring steady revenue as well.

Philip Saliba: Then it jumps off, the guidance. Do you plan to publish also a top line guidance during the course of, the first half of the year or..?

Mika Vehviläinen: Sorry, sorry, we're breaking up a little bit. Can you repeat that?

Philip Saliba: Do you plan to provide the sales guidance?

Mika Vehviläinen: No, no. We are not planning to. I mean obviously as we have said, we have indicated that we expect the MacGregor revenues to decline in 2017 from 2016. We see the end market actually to be quite positive for Kalmar and Hiab but how that combination then goes we haven't given any specific guidance on that one.

Philip Saliba: Okay, okay. And just to be clear again. You said you did the leadership program with 250 leaders and then correct me if I'm wrong, '17 you'd expect it to extend it to a much larger figure of 700-800. So these costs of, extra cost of 7-8 million that we've seen relating to digitalization and leadership, we should assume, we should assume such a level also in '17 or...

Mika Vehviläinen: Overall, if I look at our investments that we had done into digitalisation and see different systems to improve transparency and steering that one will continue but overall as Mikko was already indicating, the 2017 corporate costs should be roughly the same level as they were in 2016 combined. We did have, as we saw, the variation Q on Q. On an annual level, the total 2016 is a good proxy for 2017 costs.

Philip Saliba: And looking in terms of R&D what is the plan there? And also what would be the split in '17? Should it be – would it be a roughly similar split so a strong gearing towards Kalmar or…?

Mika Vehviläinen: Yes, the single biggest R&D input is around – software typically is more R&D intensive. We have a number of product areas in there. We keep investing into R&D across the board, we have seen the benefits of that one but I would say so that strong growth that you have seen in the past year is going to sort of taper down a little bit so we still expect R&D costs moving up from '16 to '17 but at a lower rate than in the past years.

Philip Saliba: Okay. Thank you very much.

Mika Vehviläinen: Thank you.

Operator: We will now move to our next question from the line of Johan Eliason. Your line is open please go ahead.

Johan Eliason: Hi, that was Johan Eliason. Just a question on Kalmar and the service development. You said that the service development which was a disappointment in the third quarter, looks to have improved in the fourth quarter. Could you say anything what you are seeing there. I understand you keep a tight focus on this one going forward. Any key numbers for us to look at?

Mika Vehviläinen: Yes, absolutely. We had a number of I think internal issues especially around structure, reporting lines and focus on that one. We took the corrective measures during Q3, we split up specific programme, we changed some of the reporting lines. There were some personnel changes there as well and we clearly started to see the programme structure and focus on that one biting in on the Q4 where we saw the 6% increase in service revenues. And we will be sort of on top of this one moving into 2017 as well.

Johan Eliason: Are there any specific reasons to expect this growth to accelerate in '17 or is 6% growth a bit of a catch up?

Mika Vehviläinen: It is not going to move fast. I mean, first of all, the biggest single opportunity I think we still have is around spare parts and spare parts capture rate but due to some of the ineffectiveness our operations in the past, we of course have taught our customers over many years to go and find the solutions for their services also from other sources and you have to win them back, customer by customer. The measures we have taken in terms of the logistics arrangements, pricing developments sort of moving more sales people into the field, etc. are having impact but that will happen, as I said, customer by customer, so this is not going to turn around very quickly. I think 6% is pretty good achievement already in terms of year-on-year achievement there. This is a programme that will have a lot of attention but you should expect fairly steady improving progress in there.

Johan Eliason: And this move to Poland out of Småland. How is that developing, according to expectations, we will see the improvements in the second half of this year or any changes there?

Mika Vehviläinen: I think most of the improvements are only becoming visible only on 2018 and as Mikko already indicated 13 million improvement from 2018 is exactly related to that move so it looks like that the final production transfer would move into the Q1 of 2018. Overall, it's been more painful programme than we maybe expected. Labour situation in Sweden especially Småland has been quite good. We lost people faster than we expected and that affected some of our delivery capabilities in 2016 and that was somewhat visible in the Kalmar numbers there as well. So this year we are still working through that one and the full benefit is only visible in 2018 numbers.

Johan Eliason: Okay. And then on the automation pipeline. Is this sort of mainly, software, or do you also see that you can sell some of your equipment from the new Chinese plant?

Mika Vehviläinen: It's both and obviously we are the clear market leader when it comes to automation software, so called terminal operating system so the ERPs which is supplied by Navis and that's effectively delivered to everybody who is sort of putting in a commercial automation software in place. And applies to also equipment from our competitors. Then the actual automation deals are always a combination of automation software and related equipment. So the interfaces between the equipment and different kinds of trains and shuttles and the terminal automation systems are not open so it's a package of software services and equipment that we will be selling.

Johan Eliason: And now on pricing on these big cranes. Are you seeing that you're cost competitive with the new setup in China?

Mika Vehviläinen: Absolutely, we have seen when you look at the things like the RTGs, the rubber tire gantries that have been now in China for a while, our costs have come significantly down. Our competitiveness is clearly improved and also our quality and delivery accuracy has improved. So we are very satisfied with that set up and we announced that the second half of last year that we are moving to remaining heavy cranes, primarily the automated stacking cranes, into the same setup. So it's not only a production but we're also moving the engineering and product management capabilities into the joint venture so we have a different mindset and focus on the cost competitiveness and quality there and we are very satisfied with the development we have seen there.

Johan Eliason: Okay. Thank you.

Mika Vehviläinen: Thank you.

Operator: We will now move to our next question from the line of Tomi Railo, your line is now open please go ahead.

Tomi Railo: Thank you. Can you hear me?

Mika Vehviläinen: Yes, we can Tomi.

Tomi Railo: Okay. Yes, some of my questions have been answered already but just can you indicate the size of Kalmar order, automation order. I understand you booked for the fourth quarter. The orders were strong and I was going to ask that if there was any large ones. That was sort of my feeling that there was at least one good size order.

Mika Vehviläinen: There was one good size order. It wasn't a huge order. Value was about €35 million. So overall, the business did quite strong.

Tomi Railo: Okay. And then just generally on the sort of pricing environment and the what general topic recently on the raw material prices. How are you seeing that and tackling the increases in the cost side?

Mika Vehviläinen: Yes, the steel is of course a big component and not such an issue so much in the MacGregor as in many cases the steel prices are managed and pushed through by the shipyards as well but it's issue in Kalmar and Hiab as well. We have been, I think, quite successful with the further investment in R&D as well to drive to design to cost measures and then look at sort of the weight] steel consumption of the products and other issues so we still see improving cost points on our products despite some of the raw materials going up. At the same time, I think our pricing discipline and price – and price power has been pretty good in the market place and that's of course visible in our expanding margins during the 2016, as well.

Tomi Railo: Okay, thank you.

Operator: We will now move to our next question from the line of Antti Suttelin. Your line is open please go ahead.

Antti Suttelin: Hello, this is Antti, a big question on containers. We've now seen two years of really low container growth. What is your expectation for the future? That's my first question, in terms of global throughput growth?

Mika Vehviläinen: It's hard to see any drivers at this stage that would actually drive the container growth up significantly from the current levels. I think the many different things are contributing for the fact that we seen a slow down on the growth, we still expect the growth in the coming years that's primarily driven, I think the biggest mega trend there is going to be the sort of more wealthier, middle income population primarily in Asia. There is about 2.5 billion people who are expected to come on stream that then will be able to afford sort of goods and services on the middle class side and most of those will be coming from Asia. If you look at already today container flows etc. the intra-Asian traffic is by far the largest traffic group of that one and that's the one that is probably going to grow furthest. I don't expect that we'll see any significant growth, if growth at all, in the sort of Asia-Europe, Asia-US necessarily in the coming years.

Antti Suttelin: Right. And how should we think, how should this impact Kalmar then? Does it mean that the project side of the business continues to be sluggish while the equipment side, mobile equipment side is likely to be stable and then potentially automation software projects will increase. Is that the way to think about this?

Mika Vehviläinen: Yes, it's a good point because it's good to remember that the mobile equipment end market is not usually in the large ports. So I mean they use some of the equipment but a fairly large slice of that one is actually in the industrial usage and then it's a smaller, sort of inland ports and river ports and terminals.

One big development I think we now see actually emerging more and more is this kind of intra-modal terminals. And there are a couple of interesting projects going on where people are actually to moving many of the port operations significantly into inland. Projects where people actually looking at opportunities where they actually just effectively unload ships very efficiently and put everything into railways and ship the containers 30-40 kilometers inland and do most of the sorting in there – obviously, you have different trade unions so your labour costs are considerably lower. Your land costs are considerable lower. And then you can also combine different other logistics operations, sorting etc., in that one, there is a number of these projects that we actually see in the different continents happening.

That's an interesting development to follow up, overall, and again I coming back to the fact that despite the actual container growth expectation to be quite modest, the drivers really are today is the larger ships again. Less than half of those are delivered. They will drive the – the curse of the logistics industry is that you have to invest in the peak capacity and not on the average capacity and peak capacities are going to go up in most of the ports because also the cascading of ship size.

And then it's the cost pressures and I think the pricing pressures that the consolidating shipping side is going to put for the ports, together with other drivers such as the ageing work population, sustainability requirements etc. All of this will be driving more and more interest into automation and some of the latest automation projects for example, the one in VICTL in Australia. We were able to put the sort of one terminal concept which had our Navis terminal operating system, our automation software and equipment. We actually put in the commercial or pre-commercial production in six months compared to some of the automation projects that has taken several years. So I think from a technology point of view also we see clearer improvements in the performance and maturity of the technology so I'm quite confident on the capabilities to actually see more and more automation projects coming in the coming years.

Antti Suttelin: Alright that's clear. Thanks a lot. Bye.

Mika Vehviläinen: Thank you.

Operator: We will now move to our next question from the line of Emmi Östlund. Your line is open please go ahead.

Emmi Östlund: Hi good morning. This is Emmy Östlund. I have two questions. First of all, I wanted to know if you have any guidance for restructuring costs in 2017 because obviously they were pretty high in 2016. And secondly, I would like to ask whether – I mean in MacGregor if you see any improvements in terms of services because obviously in the equipment side it's not looking too well but you've been talking a little about maybe maintenance services picking up. Have you seen anything of that? Thanks.

Mika Vehviläinen: Thank you for the question. And restructuring cost, yes, I think overall the size of the cost was fairly well known but the difficulty we had in terms of guidance was to actually understand how that will land between Q4 and Q1. As it then happened in terms of the different decisions and closure of the agreements most of it landed actually in Q4 and hence the fairly amount. The other side of the coin is that means that about only 5 million of them so far are now restructuring measures. The related costs will land in the 2017. Obviously, as Mikko was indicating there are still programmes and projects that we are still looking into, sort of driving operationally efficiencies and then they might result into the further restructuring cost in 2017 but what we see now in terms of the so far announced restructuring measures only 5 million of that one will land anymore in 2017.

In terms of the MacGregor services that's an excellent question. I think it's a little bit too early to tell quite frankly. Obviously, when the shipping cycle starts to turn and there are early indications but very weak at the moment. The services sector is expected to be pre-cycle because effectively you first start to sort of put your existing fleet more into the shape as well. And with the cannibilisation that has happened there etc. there is quite a bit of services work to be done but I would say that I can't call that out yet. We will have to see how that develops in the first half of this year.

Emmy Östlund: Okay, thank you very much.

Mika Vehviläinen: Thank you.

Operator: We will now move to our next question, from the line of Manu Rimpelä. Your line is open please go ahead.

Manu Rimpelä: Just a quick follow up. Could you elaborate or talk a bit more about the potential for cost savings you see on the kind of corporate level that you clearly state in one of the slide ongoing measure but is there anything on the corporate level that could bring something on top of what you've mentioned there?

Mika Vehviläinen: We have invested I think more than a 100 million into the systems and tools now in the last four years to improve the capability to deliver financial services, HR services and other related services and I think we have not been capturing the efficiency through that one so that's one thing that I think Mikko was indicating that we will be looking at in 2017 but it's a little bit early yet to sort of look into that one. We are starting some internal clarification around that one and we will come back to that one sort of first half of this year.

Manu Rimpelä: Thank you.

Operator: We will now move to our next question from the line of Tom Skogman. Your line is open please go ahead.

Tom Skogman: Thank you. It's Tom Skogman from Carnegie here. I have two questions. First of all, on working capital, you've had quite a strong net working capital reduction both in 2016 and '15, can it continue in '17? I'll take my second question afterwards.

Mika Vehviläinen: Yes, if I look at the working capital we still have about 800 million working capital in our balance sheet. I think there are still further opportunities in that one. Generally, we aim, have aimed and are aiming to sort of have the cash conversion over one against out EBIT.

Tom Skogman: Right. And then about your guidance. If I just look through this a bit. If we take away McGregor and then we notice that in Kalmar and Hiab the order book combined is a bit flat year-on-year and you said that R&D cost will go up and you have no significant cost cutting in Kalmar or Hiab you know helping this year and it's kind of hard to bet that MacGregor would have better earnings in 2017 than in '16, so I have to ask where should this earnings improvement come from?

Mika Vehviläinen: The earnings improvement will primarily come from Kalmar and Hiab I mean if I come back to what we said about the priorities in 2017, we still see operational efficiency opportunities. That's one of the primary objectives for Hiab. Even though we are very pleased with the performance improvements we have seen in the last couple of years there are clearly areas still there primarily I would saw around kind of the back of the efficiencies and our delivery and supply chain efficiencies is that we can do better. Obviously, with the strong introduction of new products the margin improvements are coming through gradually so some of the effect you will see but obviously that will push through.

And also we have a very aggressive product introductions scheduled for 2017 as well so the gross margin or the gross profit improvement that you have seen happening now in the past two years, we expect that to continue also from '16 to '17. And that its own will drive profitability on there. The R&D investments are going to go up but at a slower rate on that one and those will be compensated by the other efficiency measures. We are currently planning together with a combination of improving gross margins throughout the business as well.

Tom Skogman: What about Kalmar products and a better growth margin, because it's hard to see operating leverage when you have a flat order book.

Mika Vehviläinen: Yes, I said mostly again that comes down to the improving gross margins both in expanding growth margin both in terms of project implementation as well as then sort of in the equipment side as well as. And then obviously, the services will also contribute in terms of revenue and profitability so the better mix primarily driven by services both in Kalmar and Hiab will also improve the profitability in '17. So I would say services growth. Gross margin improvements in products and projects and then some operational efficiency items are the primary three contributing for improving margin.

Tom Skogman: Great. Thank you.

Hanna-Maria Heikkinen: Thank you Mika. Do we have any more questions?

Operator: It appears there are no further questions at this time. Thank you.

Hanna-Maria Heikkinen: Okay, thank you. Then it's time to thank Mika and Mikko and thank you for the active participation and good questions. So I would like to remind you that the Q1 report will be published on April 26th looking forward to see you then. Thank you.

Mika Vehviläinen: Thank you.

Mikko Puolakka: Thank you.