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Operator: Good day and welcome to the Cargotec Corporation Q3 2015 Interim Report Conference Call. At this time I would like to turn the conference over to Ms Paula Liimatta. Please go ahead, ma'am.

Paula Liimatta: Good afternoon, ladies and gentlemen, and welcome to Cargotec's conference call on January-September 2015 Report. My name is Paula Liimatta and I am head of investor relations. Today we have a live audience in Helsinki and people on the phone lines. We will start with a presentation by our CEO Mika Vehviläinen and CFO Eeva Sipilä. After the presentation, we will begin a Q&A session. Mika, please.

Mika Vehviläinen: Thank you, Paula. Good afternoon from my behalf as well, thank you for joining this conference call or being here live in Helsinki. And let me first of all state that I am really satisfied with the Q3, it was a very strong quarter for us.

If I look at the highlights of the quarter, the orders increased 9% to €907 million from the €829 million from last year. If you look at underneath that one, so a 9% increase in constant currencies would have been about 3% increase overall but undernutrition that number of course there has been a very strong variation. If I look at the constant currencies, the change is the MacGregor order intake was down by 25% but Kalmar order intake in constant currencies was up 18% and Hiab order intake was up 13% in constant currencies. The 18% growth and 13% growth respectively in both Kalmar and Hiab was of course extremely good results. I think it's a great example of the strength we have in the company at the moment, the work we have done in the last two to three years in investing into better products through our increased investment in R&D, and increases in the effectiveness of our organisation are now starting to bear fruit and very visible in the good market development we had both in Kalmar and Hiab. The order book strengthened by roughly 1 percentage point and due to obviously development in orders in revenue. Sales grew 10% year-on-year and about 4% in constant currencies to €928 million. The operating profit obviously improved significantly from last year, being at 7.4% of our revenues or €68.3 million compared to the €48 million of last year. Operating profit including the restructuring charges was €61.9 million, thus there were about €5 million and plus restructuring charges; almost all of that was related to the restructuring and cost saving of course we are undertaking in MacGregor. Most of this relates to the restructure we are doing in Germany at the moment. Also very satisfied with the cash flow development, which was clearly over 100% in terms of cash conversion and came to €74.5 million during the Q3.

If I look at the market environment so far this year, first of all it's very obvious for everybody that markets for the marine cargo handling equipment is in a weak situation at the moment for many parts of that one. However, the demand for the cargo handling equipment for large container ships improved during the Q3. We, for example, booked a significant order for Hapag-Lloyd in container handling and storage equipment during August, and we still see the investment in the large container ships driving the demand there for the time being. At the same time, the situation with the bulk carriers is quite difficult and the demand for cargo handling for that class of ships as well as for the offshore vessels is clearly slowing down and was low during the Q3. There are bright spots in addition to the container handling or container ships as well, the demand for RoRo continues at a healthy level, and also with the slowdown of the offshore segment we clearly see a need and interest for other specialty vessels such as research vessels and fishery vessels to increase during the Q3 as well.

The demand for container handling equipment or I would say the demand overall in activity level in ports in all of our regions was at a good level in Europe, in Asia and especially so in the USA. Although the container volume forecasts have been taken somewhat down lately, that's really not driving the investment level in ports at the moment. The biggest drivers therefore, for the time being, will be the increase of the size of the ships that will require further efficiencies and new infrastructure for ports; also generally the competitive pressures around the ports will drive need for investment for further efficiencies such as automation; and also the replacement cycles, the replacement market is still expected to continue strong in the ports as well.

Also for Kalmar in the industrial/logistical segments, the demand was very healthy actually again in all regions, but especially so in the US. The heavy forklift trucks that we manufacture as well as the terminal tractors both enjoyed a very brisk demand during the Q3.

For Hiab for the load handling equipment, the demand was especially strong in the US and our revenues and especially the orders developed very strongly in the US as well. Also the demand for the load handling equipment for Hiab overall is up and at a healthy level in Europe, although one has to say that demand of course varies significantly from one market to another depending on the economic situation and construction activity in the different European markets.

Looking at the key figures in summary, again very pleased with the order development, very pleased also with the revenues as well as the operating profit as well, and very satisfied with the cash flow development as well. The strong cash flow also means that our gearing end of Q3 is below 53% and we are well on the way to reach our target of 50%. The strong cash flow of course is also very visible in our interest-bearing net debt that is down to €678 million and obviously the improved EBIT and reduction of the debt, our debt to EBITDA ratio starts to be on a good level as well. Also very satisfied with the earnings per share. If you look at the cumulative number of €1.67 per share from January to September, we are obviously well ahead of the similar levels from the last year.

With that one, let's take a look at performance by segment, I hand over to Eeva.

Eeva Sipilä: Thank you, Mika. Good afternoon for everyone on my behalf as well. Starting with MacGregor, so obviously the market situation is challenging, as discussed already, and reflected in our order intake. I think in the circumstances, we're actually relatively pleased with the €200 million order intake in the quarter. Sales were still clearly higher. You all remember the long order-to-delivery lead time between there and hence we're obviously still delivering on the previous year's order intake. But sales started to come a bit [down] from the previous quarter, and this is of course with the trend that will continue. We are working very hard to make sure that the profitability is safeguarded and also that we have expectations in areas certainly to improve that as well. So we have discussed the services area and the [design] areas several times in these calls already earlier, and hence the [0.3]% was a stable quarter in that sense.

Quite a lot of restructuring unfortunately obviously affecting the operating profit due to the measures we are taking, but obviously necessary measures in order to have the right cost base going into next year.

Moving into Kalmar, we're very satisfied with the order intake. I think we've now been able to have three quarters in a row where we had the pleasure of booking several bigger orders, and that obviously helps to achieve the levels what we are reporting today, €463 million for the quarter, and this has considerably strengthened our order book as we then look ahead. Sales growth was 6% and we achieved, just surpassed the €400 benchmark therefore for the quarterly sales. And most importantly obviously the profitability improvements, 8.8% margin is a very strong margin for Kalmar thanks to a good mix and very good deliveries overall in the quarter.

Going into Hiab, also order intake growth here, which we are very, very happy about. As you know, we've had a clearly more stable top line here for quite some time but now we're starting to see the impacts of the new products and our efforts, and certainly we're doing a very good job in the US market specifically. Sales were good, a very good growth year over year and also an improvement in this area, which we are very happy about. Profitability reached a new high, the best ever, 11% now in this quarter, and hence obviously we are continuing to reap the benefits of the profitability improvement measures taken in the past two years. And considering it was a summer quarter, we were certainly pleased with being able to have the good sales level and further improvement in profitability.

Our CEO already mentioned the cash flow. We are very, very happy about that, even somewhat better than we expected. We had certain cash inflow coming in September that we were expecting in October but all in all, I think the message is very much the same. We continue very focused activities in all business areas to ensure that the cash conversion is good and this will then help to achieve our gearing targets in the near future.

Looking at the balance of our sales, be it business area-wise or geographically-wise, it continues to sort of look even a more balanced pie chart, if you may, and clearly still the MacGregor high deliveries are visible in the share of MacGregor actually still increasing for year to date as well as Asia Pacific in the quarter. And this is supported by this slide where you see the geographical mix by business area, and as said, the strength in the US market is obviously visible nicely in Kalmar and Hiab numbers. We are very happy with our market activities in those markets.

And with that, I think it's again back to Mika.

Mika Vehviläinen: Thank you, Eeva. Again, return on capital employed is heading to the right direction towards our 13% target for 2016. Obviously in terms of the guidance and outlook, probably no surprise to everybody that we are able to hold the current guidance, i.e. we will improve in terms of revenue and profitability compared to 2014. With that one, I think we are done with the presentation. I'll hand over to Paula.

Paula Liimatta: Thank you, Eeva and Mika, and okay, ladies and gentlemen, as Mika said, we are ready for your questions. In addition to Eeva and Mika, we have Michel van Roozendaal from MacGregor here to answer your MacGregor-related questions. Let's start with the questions from the live audience here in Helsinki and then continue with those of our conference call participants. Here in Helsinki, please wait for a microphone and state your name and company. Thank you.

Elina Riutta: Hello, Elina Riutta from Evli Bank. First on Kalmar, you mentioned that it's supported by a good mix this quarter. Could you elaborate a bit on that? Is it still that there's a lot of mobile equipment and not really that much projects, and how much of sales is…?

Mika Vehviläinen: First of all, as you can see from the order intake, overall it's in a very healthy level. Underlying that one is a very strong demand still for our mobile equipment and really across, I would say, all three regions – Asia Pacific, Europe and especially USA. Then the USA also the industrial sector is especially strong. On top of that one, we have, as Eeva was saying, enjoyed a number of larger project deliveries that actually have a mixture of mobile equipment as well as especially as RTG as heavier cranes in there. I am not actually off the top of my head able to answer how much of the mixture is in the project sales and in the mobile equipment. I wouldn't think there is anything exceptional, it's a fairly steady mix that we have seen in the previous quarter. So the improvement in profitability is not coming so much from the changes in mix; it's really coming through the underlying profit improvement efforts, you know, for the different businesses.

Elina Riutta: Mika, I think you said with the Q2 results that we expected this year [unclear].

Mika Vehviläinen: I think we expect the Q4 profitability to be roughly in line with what you have seen in the previous quarters this year.

Elina Riutta: Still on MacGregor and next year, you say in the report that two-thirds of the order book is [unclear].

Mika Vehviläinen: So maybe you want to take that one?

Michel van Roozendaal: Yes, [unclear] to the merchant fleets and that has a slight impact on the profitability in favour of a higher number.

Paula Liimatta: Okay, then we can move to questions from conference call participants. Operator, please.

Operator: If you would like to ask a question at this time, please press *1 on your telephone keypad. Please press *1 to ask a question. Thank you. We will take our first question from Antti Suttelin from Danske Bank. Please go ahead, your line is open.

Antti Suttelin: Thank you very much. Hi, this is Antti. On Kalmar please, you know, you have had a very successful 2015 order intake in Kalmar. Now, given what you write in the report and what we heard today from Kone Cranes, i.e. global container throughput has turned to a decline over the past few months, how should we think about the impact of this on Kalmar's order intake prospects for 2016 please?

Mika Vehviläinen: Thank you, Antti. First of all, the world container traffic has not turned into a decline but the growth rate has been adjusted down from the previous quarter. So the expectation from Drewry – I think is the authority in this area – has downgraded their estimates.

It’s still forecasting a growth from a very large base but however, in the same report actually, Drewry itself points out that the investments in the ports are actually not, in the sort of short-medium range at least, driven by the changes in the container volumes. It’s driven by the fact that there are very large container ships coming, there are a very large number of those ones coming to the primary routes and that will then mean that the current ships from those routes are moving to the secondary routes. So there will be a cascading effect and this will have a significant impact for the infrastructure changes and needs for ports in terms of the [unclear], etc. Secondly, with the consolidation of the shipping lines, the ports are under further competitive pressure. Ports actually are struggling to invest into improving their efficiency and competitiveness including a clear increase in interest in automation as a project. And thirdly, there is quite a lot of old equipment out there from the sort of 2007-2008 investment levels that is getting old. It's driven very hard in port circumstances so for example in the US we see strong demand for replacement business and we expect that replacement business needs to be accelerating for example in Europe. So we actually have a pretty positive outlook when it comes to the sort of activity and the investment level in ports driven by these factors.

Antti Suttelin: Well, I mean I need to say that I really think that over the past few months, the throughput growth has been negative. It may be that the full year outlook is still slightly on the positive side but really I think it has been negative over the past few months and if this continues in 2016, I would think it might have some impact, but let’s see next year then. And then my second question would be a striking success also seems to be the US market for Cargotec as a whole in Q3. Given what we see in industrial activities in US at the moment, are you worried that this strength may not last?

Mika Vehviläinen: Well, the industrial sector for us in the US is actually quite a small proportion of our revenues, probably a single-digit percentage, primarily around the terminal tractors, which is actually – even that is not industrials, it’s more to do with the logistics traffic that is driven by the local consumption, and again the replacement market is very significant. In there, in that one we have the heavy forklift trucks but that really pretty much the only industrial product we have in the US. So our primary markets of course in the US are around [unclear] driven by the construction activities. We see the development in housing starts, if I remember the number right, it’s about 1.2 million now at the moment and actually the outlook on that one for the next few years is still positive, and that's the primary driver for the higher type of investments as well as in the replacement needs in ports and the logistics industries. So clear bottlenecks at the moment in terms of for example for trailer deliveries and some of the truck deliveries at the moment that actually would have meant that they would have had higher sales in the US if those bottlenecks wouldn't have sort of slowed down the delivery time. So some of the [road] equipment is actually up to six months at the moment. And then the port activities are continuing as discussed in the previous question. We see a good level of activities in the ports going forward as well.

Antti Suttelin: All right, thanks a lot. That's all for now.

Operator: We will now take our next question from Johan Eliason from Kepler Cheuvreux. Please go ahead, your line is open.

Johan Eliason: Yes, hi, this is Johan at Kepler Cheuvreux. I couldn't hear what Elina was asking about, the MacGregor profitability outlook, very well so if you could repeat that question and the answer to it as well. Then the second thing on MacGregor, you have this bulk exposure that is obviously coming down. We have seen bulk order intake to the shipyard being down some 90% up until August this year. On the other hand, the containers are growing. The shipyard order intake is up 125% year to date, well, August. And I was just wondering how much has your container order intake grown? Is it in line with the above 100% that the shipyards are seeing or do you still have the bulk of the container orders coming to you in terms of the demands for the deck equipment in the coming quarters? Thank you.

Mika Vehviläinen: Thank you for that one. If I try to remember what Elina asked, she had really two questions. One was around the profitability guidance for this year and our answer was that we expect the profitability to be roughly at the same level in the Q4 as we have seen in the previous quarters this year. And then she asked about the order mix for the next year, if I remember. She's nodding her head, yes. And Michel's answer was that we actually see the weight moving more into the merchant and the proportion of offshore being smaller in 2016, that might have a slight positive impact for the mix was Michel's answer on that one if I captured that correctly. The second question I'll let Michel to answer himself.

Michel van Roozendaal: Yes, so the second question was around the container demand. We see indeed that to be positive. We also announced some orders in our press releases, €21 million for number of container vessels. Overall I'm not sure to what extent we have so much of an increase as you just quoted, but overall that is a segment which is showing relatively good growth for our hatch bridges and hatching solutions.

Johan Eliason: And if I may come back to MacGregor, I think a couple of years ago on a capital markets day, you sort of indicated a value of container ship – it was a 13,000-container type – that could be up to US $10 million or roughly 10% of the total ship value. Now I think the ship values are going up and down. Your share of a big-sized container ship, is it still a maximum around 10% or has it gone down or up post these recent acquisitions?

Mika Vehviläinen: Good question. It actually depends quite a lot on the scope and it can be up to 10% when we provide the whole solution, kind of the cargo handling system for container ships. The announcement we did in August around the delivery of such a delivery, there are in some cases customers actually are doing most of the design and in some cases the construction themselves. There we are then more a kind of equipment provider or subsystem provider, in which case the value can be also considerably smaller. So it depends on the type of solution and the customer. I don't know, Michel, if you have anything to add on that?

Michel van Roozendaal: Yes, I believe the percentage is probably a little bit below the 10% but indeed, repeating a little bit what Mika was just saying, if we do the hatch covers plus the complete lashing systems and the bridges, that would be our maximum scope including the design, but again with the successful price rising, this percent is probably a little bit lower than 10%.

Johan Eliason: But that's not a price issue on that percentage point that the prices for you have come down over the last couple of years, apart from obviously the pass-through for the steel part?

Mika Vehviläinen: That is a constant in terms of obviously a margin perspective. We don't see excessive margin pressures in that segment compared to a couple of years ago.

Johan Eliason: Okay, great. Thank you.

Operator: We will now take our next question from Sean McLoughlin from HSBC. Please go ahead, your line is open.

Sean McLoughlin: Thank you. I have two questions. Firstly, on this what appears to be a structural trend in container ships to upgrade to larger ships – and this is driving investment in ports – at which stage of this upgrade cycle are we? In other words, if we take say the top 30-40 ports globally, how much would you say have already, as a percentage of them, have already actually taken this upgrade, or are we at the very early stages, therefore we can expect to see potentially multi-year demand? Secondly on Hiab, if you could just specify among the European markets which were the strongest and the weakest and what's driving that. Thank you.

Mika Vehviläinen: Thank you. So if I take the first part, we are at the early part, very early part of the cycle. We see a number of [haulers] replaced for the last sort of 20,000 TEU or 18,000 TEU ships. Not that many of them are in traffic at the moment. A number of them are in construction now at the moment but we would still expect actually most of them, I would say the volume of that one coming into the traffic coming in probably later 2016-2017. Michel, I don’t know if you have anything to add.

Michel van Roozendaal: That is true. You see Maersk for example, but also some of the other Chinese lines, have recently started ordering these but the number of – I can’t speculate – but maybe between 10 and 20 of these would probably be the total which is in order books at this point.

Mika Vehviläinen: And then the second question was around Hiab and I try to remember now what it was.

Sean McLoughlin: The breakdown among European markets, you said they were varied. Yes.

Mika Vehviläinen: Sorry, European – yes. Yes, probably the strongest market we see in Europe at the moment is UK. Again, if you look at the indexes and activity that drives Hiab, it's actually more to do with the construction industry activity, generally with the truck registration because there are so many different kind of trucks, but it's generally the delivery type of trucks that are related to construction industry activities and deliveries that are biggest drivers and as you well know, the UK construction activity is in a pretty healthy level, so UK is clearly doing very well at the moment. Some of the middle European markets are fairly okay. Sweden is doing quite well at the moment as well. I would say that there are some encouraging signs in France in some of the [police] orders but it's fairly stable at the moment, and then of course markets like Finland are down quite a bit I think. What am I missing in the market?

Eeva Sipilä: Well, I think if you want to be optimistic, in areas like Spain you actually see the numbers coming up but of course from very low levels, so relatively speaking, we're far from Southern Europe coming back in a big way, but this should be one positive market.

Mika Vehviläinen: In percentage terms, the southern Europe numbers start to look pretty good but they stay about the same from the very small base.

Sean McLoughlin: Right, thank you.

Operator: We will now take our next question from Paul de Thierry from Kepler. Please go ahead, your line is open.

Paul de Thierry: Yes, good afternoon. It's Paul de Thierry here from Kepler Cheuvreux. Firstly looking at the MacGregor and Kalmar divisions in terms of port upgrades, you've mentioned the largest, the super container-sized ships. Now you've seen orders for port upgrades. As the current ships now move onto the secondary routes, how big is potentially this market for you in terms of the number of ports that need an upgrade and is the competitive environment the same for the smaller ports as it is for the bigger ports? And secondly, you mentioned I think a couple of quarters ago an EBIT margin target of 8% for 2016. I'm sorry if I missed this but is that still your expectation at the Group level? Thank you.

Mika Vehviläinen: If I start with the port activities, and yes, you're absolutely correct that these ships are coming onstream and we still have an impact, as you said, Paul, into that sort of secondary markets and receiving the ships that used to serve the primary routes, and that's also, the impact comes in many shapes and forms. First of all, in many cases the actual cranes that are related to the onloading and offloading of the ships are not having sort of, are not either long enough or high enough for that one. In some cases, that might lead to ordering of the new cranes. We have not been particularly active on that market lately as it's very competitive. But also in many cases, the port operators actually decided to – rather than ordering a new one – is to actually renew and then rebuild the existing, refurbish the existing cranes and in those markets we are clearly the leading service provider. We announced now lately a very large crane upgrade project, if I remember rightly, it's short cranes we are doing in Spain as well. So that activity in our services business is certainly going to increase due to that one.

The second impact overall is that you will actually receive a larger number of containers at one go and that has an overall sort of impact for the ports in terms of requirements for [efficiency] or mobile equipment, stacking areas and then obviously starting to drive more and more consideration for automation to be able to handle higher throughputs at the shorter time period. So we see that impacting in many different shapes and forms, but generally very positive trend for us.

The second part of the question was related to this 8% EBIT target. Obviously we stated this target in our capital markets day almost a year ago and when we did that target at that stage, of course the outlook for MacGregor was quite different. I think oil was around $85 a barrel at that moment, and that target is now more challenging but that's still our target. And against the changed outlook of MacGregor obviously, balancing that one has been improvements in operational profitability and actually both in Hiab and Kalmar are actually ahead of our expectations as well, so we are still targeting for that.

Paul de Thierry: And sorry, just going back to one more, just going back to MacGregor, just so I understand, how much of the current orders for container deck equipment is replacing the lost business or the slowdown in business in the bulk ships, looking ahead? What could you see – imagine a situation where the orders for the container ships overtake what you had from the bulk ships before or is that too much of a loss combined with the oil services, the offshore business?

Mika Vehviläinen: Over to Michel.

Michel van Roozendaal: The combined business is actually forecast from an order perspective for next year, it's actually declining. So it is indeed true that on the container side we see an uptick but it is not big enough to basically replace and compensate for the loss on the bulk side which was an earlier person on the line quoted very dramatic numbers which are your 90% of the decline in volume on the bulk side. So the container is not large enough to compensate.

Mika Vehviläinen: This of course is considerably smaller than the bulk.

Paul de Thierry: Okay, that's great, thank you.

Operator: The next question comes from Simon Sigvardsson from DNB. Please go ahead, your line is open.

Simon Sigvardsson: Yes, hi, it's Simon from DNB. I was wondering about strong order intake in Kalmar and Hiab, how much of that was driven by down-the-line market versus you taking market share, as you highlighted, new products for example were very well received here in the quarter.

Mika Vehviläinen: It's a little bit early to make a judgment entirely on that one. I can cover all the – in the Hiab market segment, the market is strong at the moment, as I said, the US construction activity and also a more healthy environment in Europe driving growth, and I would say that whereas in the last 18-24 months we've been very careful in our activities and Hiab focused very much on profitability and probably lost some market share due to that one, by making choices on that one, I don't think we lost any market share certainly any more in Q3. And obviously with the market mix improving there, the proposal is stronger in US than we are for example in APAC or Europe, that probably means that that will now favour as well in Hiab's case. We are doing very well in US at the moment and that's an area that our market share is strongest as well.

In Kalmar, this is more a guess at this stage than based on intelligence but if you look at the strength of the order book, etc. we probably are taking some market share there as well. We have invested quite heavily in this R&D and rolled out quite a number of new products in Hiab's case, also in Kalmar, the next-generation products, in the last sort of 18 months or so, and that's started showing in the product demand.

Simon Sigvardsson: Then I also wondered about if you could comment a bit on your work of increasing the share of service in each of the divisions, how that is proceeding?

Mika Vehviläinen: Yes, I would say that the first priority we have had in each of the business areas and services is to get the operations in a better shape, and we have replaced or brought in new management in all three business areas. In some cases if I take MacGregor as an example, we actually had to do some clean-up initially in terms of looking at some of the services areas that have not been as profitable and even have some reductions in there. Once we have a strong foundation on the services, and we are still working partly through that one, we will start to grow that. So the first priority in all three business areas is clearly improving our spare parts business. We are investing in the new logistics systems in there. We are investing in the better availability on that one. We are adding more intelligence in terms of our spare parts pricing. So there is a number of different initiatives that are starting to drive that one. In the short term now if you look at the strong order book we have had in terms of the equipment, it's quite clear that the service proportion is probably not going to grow proportionally faster as we have seen help the demand now in the equipment side. But I think right now we are very focused on getting world-class operations in place, starting with the spare parts, and then starting to drive that services business up from a very strong base we will have.

Simon Sigvardsson: Okay and then my last question on the MacGregor EBIT margin, if I look in the past back to 2004, I think the lowest margin was like 6%. You had for example in 2008-2009 9-10% and then peaked at around 14.5%, and now it's down to more 4%. So what is the main things that have changed compared to the past?

Mika Vehviläinen: I think a couple of things. First of all, that's MacGregor mix I think, that's one of the main drivers. First of all, the proportion of the offshore has been higher than it has been if you look at the peak years, that's almost all of that merchant, and it [unclear] with the MacGregor business model is very asset-light and not been manufacturing almost anything in-house, be very able to scale, so it's a seller's market and that's going to help us also as the steel prices started to come down at the right time for us on that as well. If you look at the situation today, the offshore part has a higher proportion and we have not been as profitable in offshore as we have been on the merchant side. Then during this year, within the merchant side itself, there was a very competitive market for the bulk, a lot of speculative buying; that means it's more difficult to sell the value for the end users, and also a lot of that business went to China where the competition was very heavy. So the mix on the merchant side was more negative than it had been in the previous years. Also, it's very clear that we need to better develop our operations in MacGregor and the competition is intensifying, and very clearly the measures and actions we have now taken in Kalmar and Hiab are proving successful and we are now applying the same measures learned and the same methodology in MacGregor, and we expect that to start to yield results. One of the differences of course is that as the cycles are so much longer in MacGregor, the visibility of those results will come through more slowly than it did in Hiab first, and then obviously now in Kalmar as well.

Simon Sigvardsson: Okay, great. Thank you very much.

Operator: We will take our next question from Antti Suttelin from Danske Bank. Please go ahead, your line is open.

Antti Suttelin: Thank you, hi, this is a follow-up on Kalmar. You know, just to get a little bit perspective on this big ship opportunity, if we take Kalmar order intake for the first nine months, it's 1.5 billion. Sorry, 1.4 billion is the number. How much of this number is, according to your assessments, because of big ships – so yes. How much of this number is because of bigger ships coming onstream?

Mika Vehviläinen: I would say that this is a more – I mean obviously I can't give a specific point. Customers are not necessarily always justifying their investments very clearly, but I would say that's quite a small part of that one is actually still the bigger ship investments there, I can directly pinpoint that one of course, are the [grain] refurbishments and some of that one, but I would still say that a big part of that opportunity is ahead of us at the moment and customers are still getting their hands around that one, and one needs to remember that those container ships are only starting to be built primarily at the moment. The bigger driver I think so far has been in mobile equipment, it's been the increased activity overall, replacement cycles. Again, there is a lot of older equipment that starts to come to end of life. We have seen this coming through, you know, for probably a year or two in terms of spare parts for some vehicles going up, it's usually an indication that the lifetime is starting to be closer. That's a big driver there, a volume driver, and then some of the industrial applications we touched as well. I think the bigger part of the need for efficiency in terms of automation investments, [unclear] etc. is still ahead of us.

Antti Suttelin: Yes, I'm just trying to balance this opportunity against the challenge that may be because of lower container throughput restricting some capacity expansion. But you think this driver is so big and important that it will outweigh the challenge from dropping orders – from dropping container throughput?

Mika Vehviläinen: It will certainly outweigh the challenge in the short to medium term. It's very clearly of course that if in the long term the container volumes would go down more on a permanent basis, obviously the need for further capacity additions go down but at the moment for example if you look at the capacity increase in investments planned, that's a higher number than the container output number is at the moment and the factors we had discussed are a factor there. Then again, one can take a view on that one for the long term but generally we have known, and I don't expect that to change, that container traffic, you always grow faster than the world rate.

Antti Suttelin: Yes, that's reasonable. Thank you.

Operator: We will take our next question from John Ramando from Memnon Networks. Please go ahead, your line is open.

John Ramando: Hi, this is John Ramando from Memnon networks. I had a follow-up question regarding the US market. We're saying that we're taking more market shares for Kalmar and I was wondering, regarding the new product line that we have launched, how much of the growth comes from the new product line and how much comes from the old product line?

Mika Vehviläinen: Well, we haven't actually [produced] the new product lines in terms of categories. What we have done is that we have, we are introducing a new generation of products. I'll give you a couple of examples. We introduced the new generation of terminal tractor about a year ago and so-called T2 model as we call it now has actually had a very great demand at the moment and is very likely to take market share at the moment. It's a considerable improvement for the previous one. In the mobile equipment, sales there, the so-called G Generation is now taking – actually we have introduced the G generation products now in the [ridge] sectors, empty container handlers and also forklift trucks in the US and again they have enjoyed a good success in there as well.

John Ramando: Okay, perfect. Thank you.

Operator: Our next question comes from Paul de Thierry from Kepler Cheuvreux. Please go ahead, your line is now open.

Paul de Thierry: Yes, sorry, just two brief follow-up questions. Just on MacGregor, I know you announced some further additional restructuring measures at your last quarterly results. Just to confirm, have you identified any new ones since? That's my first question. And the second question, just for general interest on a read-across, you mentioned at Hiab you'd seen your orders in France pick up. Could you just elaborate on that a little further please? Thanks.

Mika Vehviläinen: I'm sorry, Paul, I missed the second question.

Paul de Thierry: Yes, on Hiab you mentioned that you'd seen some pickup in orders from France which perhaps were construction-related. If you could just expand on that please.

Mika Vehviläinen: Yes, I'll pick up the first while I still remember your question. So it's probably less indication of the market than our ability, we have had some large [fee] accounts that are actually driven primarily by replacement markets and we have enjoyed good success in that market and that's driving the demand at the moment. Probably less, I wouldn't draw any – I think the market as such is still soft but we have [unclear]. And again, the replacement market also in truck side of course is a real factor. The truck registrations have been significantly down since the financial crisis and you'll see some of that coming through.

MacGregor, maybe Michel can elaborate but if I just start and see what's not here in the last quarter, the announcement. So we told about the reduction of roughly 200 people at that stage. After that one, what we have announced separately has been the reduction of roughly 100 people out of our manufacturing and development facilities in Germany. In Spain there has been some further activities and maybe Michel could give you an overall picture where we are in terms of the headcount reduction.

Michel van Roozendaal: Yes, basically headcount reduction in four brackets, in four buckets. One is, and you elaborated on that earlier, Mika, is around inefficient services operations which was actually you see that a little bit earlier on. And we have around total about 100 people, and recently we announced some further reduction in our Norwegian offshore operations. So at this point in time, at the end of this year, we will have reduced our headcount by about 300 people coming down from maybe 2700.

Paul de Thierry: Okay, great. Thank you.

Mika Vehviläinen: You need to remember that the business models that have been deployed in MacGregor for many years means that we are – our fixed cost base is quite a bit lower than most of our competitors'. Out of our revenue, we actually manufacture less than 20%?

Michel van Roozendaal: So the manufacturing, yes, price model – we basically rely heavily on contract manufacturing and at this point in time, about 50% of what we use is being produced within four walls of our own factory.

Mika Vehviläinen: And further also on our engineering side, about one-third of that one is contracted so we have capabilities to actually flex quite a bit in terms of volume there as well.

Paul de Thierry: Just two questions. Can I firstly ask on MacGregor what orders from the offshore business are you seeing, if any, at the moment? Specifically where they're coming from. And secondly on Kalmar, I noticed that in Q2 your margin was 7.3% excluding restructuring costs. That's now risen to 8.8%. Is there potential to get that higher or not?

Michel van Roozendaal: If I may start, on the offshore side we see weakness basically in al l segments but it's not down to zero. One specific element I'd like to highlight is offshore wind. That is a segment which is actually now showing some positive signs compared to what we've seen in the past.

Mika Vehviläinen: Thank you, Michel. In terms of the Kalmar, yes indeed, a good improvement in there. I think we still are obviously working hard and the progress we have in terms of pushing our operating profits further up so we will not be satisfied and staying at this level.

Paul de Thierry: Do you have a target at all internally for Kalmar?

Mika Vehviläinen: We haven't given any specific targets by business area. I think these are probably some areas that we will come back in our capital markets day.

Paul de Thierry: Okay, thank you.

Operator: We'll take our next question from Tom Skogman from Handelsbanken. Please go ahead, your line is open.

Tom Skogman: Yes, this is Tom from Handelsbanken and congratulations on a good set of numbers. I have three questions. First of all, I'd like to get some kind of clarification on automation projects in Kalmar. I know, I mean you have – this is a hugely speculative market that looks very interesting but can you give some numbers how many ports or terminals are considering this compared to what has been done historically? And how big a part of this is in some kind of an active phase at the moment?

Mika Vehviläinen: Thank you, Tom. If I start with that one, so a couple of points maybe. I would say that I wouldn't think there's a single large container port operator who is not thinking about automation at the moment. It's certainly that if we run through the number of business cases, I look at that one and it's a very highly attractive business case in terms of many of the Western ports generally, the labour costs tend to be 30-40% of your operating costs. We have seen in the automated ports, we have done for instance in Australia that you are able to take roughly half of your workforce out. So we talk about very significant cost savings. Further, obviously the safety will be significantly improved. We actually have not seen any serious activities – accidents any more in the ports that we have automated. And thirdly, in things like environmental issues, damages and noise, you have also a significant reduction. So the business case is very compelling. Obviously the industry is fairly conservative as well.

Also I think the one thing that confirms the case for automation, if you look at the ports we are automating today – London Gateway, the Australian, others – we have actually seen repeat orders effectively almost in all of them. Their ports have continued investing, so expanding the automation through the ports, which I think is an evidence and verifies also the attractive business case you have in there.

The overall industry level in terms of the interest is quite high but at the moment if I look at the very active projects actually, there are not many that I would expect to be closing in the next quarter or so, so we are not seeing any larger projects that are materialising very fast. But overall, we are very optimistic about the market outlook on that area.

Tom Skogman: Thank you, and then I wonder about the US dollar impact by division and the outlook for the dollar impact the next quarters please.

Mika Vehviläinen: I will hand that over to Eeva.

Eeva Sipilä: Yes, thank you. So obviously the US dollar impact had a positive impact in the sales of all of our business areas. Basically instead of the 10% reported growth on Cargotec level, with constant currencies the growth was 3%. So that's basically meaning that we had some around 5% growth in MacGregor and Hiab in the third quarter, and Kalmar growth was negligible from a sales point of view. Then as discussed from the profitability point of view, so it is Hiab where we have exports from Europe from a euro base to the US market, and since the currency hasn't really changed much in the quarter actually, so we are at this 1.1 level roughly, so there is no change to what we've said earlier that in Hiab we are expecting a 5-10 improvement on the EBIT line directly due to currency and then the second quarter we said it was about a million and it's close to three is the most scientific number we can conclude in the third quarter. So we are in line and as I said, we don't really see any further changes now in the short term than what has come through from the weakening of the euro compared to a year ago.

Mika Vehviläinen: Remember that if you look at the Hiab US sales numbers, roughly half of that one is actually created in the US. It's services and local manufacturing for some of the products. And the other half is primarily euro-based exports.

Tom Skogman: And then of course you have a translation exposure but let's keep that. So then finally about your capital markets day, in order to avoid unnecessary speculations – and you have talked about the refined strategy – are you planning to do some major changes to your strategy or is it really some kind of more of a fine-tuning, or do you even consider portfolio reshuffling, selling some division or something?

Mika Vehviläinen: Yes, I'll keep the excitement up and hope to see many of you in the capital markets day in London in November.

Tom Skogman: All right, thank you.

Operator: As there are no further questions in the queue, that will conclude today's question and answer session. I would now like to turn the call back to Ms Paula Liimatta for any additional or closing remarks.

Paula Liimatta: Thank you, operator. We still have one more question here in Helsinki.

Elina Riutta: Hello, this is Elina again. On MacGregor, have you seen any customers wanting to delay taking deliveries? Do you believe that is going to be an issue towards the end of the year that deliveries start slipping?

Michel van Roozendaal: The current forecast – and deliveries are a constant reality in this business – we have included that reality. We don't see that risk will accelerate at this point in time.

Elina Riutta: You are seeing some delays in deliveries already?

Michel van Roozendaal: Well, not more than before. That's a constant factor also because also it's sometimes a tactical risk so we have currently a view of what these delays are, and they are built in our forecast.

Elina Riutta: And then still on that, have you seen any cancellations?

Michel van Roozendaal: We have not seen any significant cancellations.

Elina Riutta: Thank you.

Paula Liimatta: Thank you for all of the very good questions. I would like to end the call now and wish you all a very good day. Thank you.

Operator: Thank you. That will conclude today's conference call. Thank you for your participation, ladies and gentlemen, you may now disconnect.