Cargotec Corporation
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Chaired by Paul Liimatta

Paula Liimatta

Good morning Ladies and Gentlemen and welcome to Cargotec's January/March 2013 Conference Call. My name is Paula Liimatta and I'm the Head of Investor Relations. Today, we have a live audience here in Helsinki and also people on the phone lines. We will start with a presentation by our new CEO, Mika Vehviläinen and CFO, Eeva Sipilä. After the presentation, we will begin the Q&A session. Mika please?

Mika Vehviläinen

Thank you Paula and also from my behalf a very good morning and a very warm welcome to my first quarterly results announcement for Cargotec and let's move ahead.

Obviously, I'm now one month and 26 days roughly into my job and so still learning my way around here but I'd probably like to share some of my observations towards the end of the presentation, but we will run through this presentation, together with Eeva. I will have some general comments in the beginning, then Eeva will dive a little bit more in detail into the numbers and I'll conclude with some remarks about our guidance and overall the focus areas for Cargotec for 2013.

If you look at the numbers and let's start with the positives; we are happy with the development of our orders, they grew 7% year on year, MacGregor orders actually increased by 35% compared to the Q1 2012 and Kalmar orders improved by 8 percentage points. The disappointment clearly for us, was the decline in sales, 14%, that came almost solely from the MacGregor that sales declined by 105 million Euros. Also, Hiab sales declined somewhat by 10 million Euros.

If I look at then the MacGregor sales, I would say that there are 2 main reasons for that one. One was sort of expected, the other one was somewhat more unexpected. First of all on the expected side, obviously the order book for the MacGregor user development in the shipping industry, has been on the decline. The order book in the Q4 2011 for MacGregor was 1.3 billion Euros and at the same time, end of last year, only 886 million Euros. So, obviously that will drive down the sales development as well. The other issue that hit the MacGregor sales decline in the Q1 2013 was that many of the customers, the shipyards, actually delayed deliveries by effectively not opening letters of credits and such things and that then hit the deliveries towards the end of the Q1 as well.

Driven by the weak top line, the profitability obviously declined. Again, the main driver and almost the sole driver for the profitability decline was the top line decline coming primarily again from the MacGregor side. If I look at the decline in the operating profit, 24 million, that's exactly the same decline as we saw in the absolute terms in MacGregor operating profit decline also around 24 million. So very much the poor results that we are not satisfied at all, came from the declining top line of MacGregor that then drove down the whole Group level results as well.

The cash flow from the operations was positive at 21.2 million Euros, but again not at the level we would like to see. Some of the advance payments that were related to the positive order development on the Q1 did not materialise yet on the Q1 and also because of the delay on some of the shipments and deliveries as I indicated earlier, related to MacGregor, more networking capital was tied into the inventories towards the end of the Q1 and that drove down the cash flow on that one.

Again the same thing more in numbers, if I look at overall, the good news of course is that our order book development was a good one, so compared to the Q4 2012, where our order book was 2 billion 21 million, we are up by almost 200 million. The book to bill ratio in the Q1 was 1.17 which is of course a positive indicator for us.

The operating profit obviously declined as I already stated, from the Q1 last year. However, sequentially that was slightly up from the Q4 2012. The interest () net debt went up on 506 million. That was primarily driven by the lower cash position. Again, Eeva will come back to that one in detail. As well obviously then earnings per share was impacted by the results as well, being only 10 cents per share for the Q1.

With that one, I'd like to hand over to Eeva, our CFO, and she will run through the numbers a bit more in detail.

Eeva Sipilä

Thank you Mika. Going into slide 5, here you see our quarterly order intake and sales development over a bit of time and obviously as Mika noted, we are satisfied with the order intake. We cleared almost 1.2 book to bill and gives us obviously confidence for the remaining year, when it comes to the sales and also the results. And this of course is needed, looking at the picture on the right hand side; as you have noted, we had a slow start for the year, so we have some work ahead of us.

Going into the segments a bit more in detail on MacGregor. Here, the positive order intake comes very much from RoRo and offshore, almost general cargo was the 3rd ship type. As you all know, the ship market as a whole in some of the other ship types continues to be somewhat challenging.

What's good to note in these numbers is that we have excluded the bulk business, which was transferred from MacGregor to Kalmar at the year end, roughly 55 million of sales in 2012 and that also obviously is visible in the order intake numbers. So, this 209 million is clearly our highest order intake in quite a while. As Mika already pointed out, the low volume in the sales was really the sole driver of the profitability. We have indicated in our report that we continued to expect better deliveries in the remaining year, we have indicated that approximately 850 million Euros of sales would be recorded as MacGregor revenue in 2013.

And with that figure, with a margin of that business and also the fixed cost position we have, we still believe we can deliver the low double digit operating profit margin we have indicated earlier. But as I said, we obviously do need the volume. At these low levels, even in a lean business like MacGregor, the fixed costs start to have to their toll on the margin.

Going into Kalmar, here a good quarter as such, especially in the small equipment side, good demand and we also saw some pickup in activity in the bigger equipment, but they didn't really materialise in orders. But nevertheless, a good book to bill ratio here as well and it gives also us confidence on sales growing in the coming quarters. Also good progress in Kalmar when it comes to the cost savings from the restructuring actions generated late last year. We are on track on the overhead side in the business.

However, a slightly negative note was that the quarter was not fully clean of project overruns, we had roughly 5 million of project overruns, cost overruns, in the quarter. Mainly a single delivery in Africa where we had significant logistical challenges on the delivery side. Now that being behind, we look ahead on a slightly more positive note. But obviously that 5 million burdened the reported numbers.

Going then into Hiab, as you all well know, Europe is mixed and we see that also in the Hiab market, both in order intake and sales within Europe. The countries are showing very different environments. The US continued to be very healthy as we have reported on earlier. Orders were as a result of the development in Europe, down year over year, but also in Hiab obviously a book to bill of more than 1 is a decent start for the year.

Profitability on a low level and here maybe one specific note that's partly burdened by additional cost related to the fact that we were late, it was a prolonged process on the personnel union negotiation side Hudiksvall as well related to the change in the position of the Hudiksvall factory vis-à-vis our Stargard Polish factory and that of course meant that we had overcapacity in the quarter in that factory and those costs are visible in the results. The negotiations have now, end of March, been concluded as we have announced and we now can continue ahead.

Then going in to cash flow, here as Mika said obviously we are happy to see a clear improvement from last year, but not something we are satisfied with. We do need to get volumes and inventories out to improve the networking capital and then show better cash flow for the Group as a whole.

Looking at services overall, the segments on a total level are pretty much flat year over year, especially challenging in MacGregor where customers in Europe are on a cost saving mood due to the challenging market environment. And here, it obviously puts pressure on the demand for us.

Kalmar again where capacity utilisation of customers is clearly on a more positive note, was able to deliver a good growth number for the quarter.

In these charts you see quite well the change in where our business and sales come from. This is obviously no news for you, we've discussed this quite a few times over the past year and a half already. We see clearly that the share of MacGregor is decreasing and Kalmar is roughly half of Cargotec volumes and as the MacGregor shares declines somewhat, it also means that the Asia Pacific share goes slightly down. Nevertheless, we are satisfied with the mix and the geographical balance as such in the business.

And I think that pretty much concludes it for more detail in numbers. We can come back to any questions you have. I'd like to leave the floor back to Mika for concluding remarks.

Mika Vehviläinen

Thank you Eeva. First of all regarding guidance, we keep the guidance the same as we did in the end of last year, so we still expect the sales to be slightly below 2012 and operating profit, excluding restructuring cost, to be at 2012 level. Obviously a big driver here will be the revenues of the MacGregor. We now estimate the MacGregor total year revenues to be roughly at 850 million level. That would then obviously drive also the overall profitability level within the Cargotec as well.

As I said, I've now been a little bit less than 2 months in the company and obviously I'm not happy with the results. I think overall, no one in Cargotec can be satisfied with the level of performance we have at the moment. Cargotec has a lot of strengths. We have a world class brand, industry leading brands in many of the areas. We have a very strong market position and market share in most of the key product areas. We have one of the most global players in the respective field and have world leading solutions and technologies, again in most of the areas we operate. So there are a lot of strengths. However, we have not been able to turn those strengths into value for our shareholders in the last few years and that's clearly an improvement required in there.

I would say very much the focus for this year is around the short term execution. My initial take on the situation in Cargotec is that we are focusing roughly on the right things. Then how are we doing on those things? I think we can always improve in terms of speed and execution capabilities, but we are proceeding in the result improvement areas that have been already laid out there. Very clearly, the cost structure is one of them and we have seen already in the Q1 numbers improvements on that and we expect those improvements to remain there throughout the year and obviously you can always work on your costs further as well.

Our portfolio, when it comes to the products, markets and customers, still requires further clean up. We need to be very focused on what we are doing and be very much focused on the profitable parts of our business as well. The deliveries have been one issue for us and more and more of the Cargotec business is in projects. They will be accounted differently, they will be required to manage differently and our capabilities in the project execution and deliveries have been strengthened in the last 6 to 8 months and I see a lot of positive improvement in there. However, obviously we have also taken a number of very large projects that are still weighting on our results and driving through those projects will take most of this year and some parts of early next year as well.

The margin clearly is another area for us which we are not satisfied at the moment. We have several, in several product areas we have product cost issues that we are working on there. R&D will be an investment area for us as well, we are not going to save on that one significantly because that's required to drive down both the product competiveness, but very much also the product cost in many of the key product areas we have there as well and obviously that should then drive operating profit on its part as well.

With that one, I'd like to thank you for listening in or being here physically in Helsinki and I think we open up for questions and answers.

Questions and Answers

Paula Liimatta

Thank you Mika and Eeva. We will start with your questions here in Helsinki now, please?

Question

Hello () from () Bank. About the deliveries () that were delayed, can you say how many projects or deliveries are involved? Is it just a handful or is it broader?

It is a big number of projects, in MacGregor the size of the projects is not usually that big when you talk of the basic business, so it is really a phenomenon we see in the industry; it is not related to any single customer or single project as such.

Overall, if you look at the ship building industry and the shipping business at the moment, there are still over capacity and there are roughly 5 percentage points of the net tonnage of the fleet is still idle at the moment. However, there are weak indicators at the moment in the market that shipping demand will be coming back, but again it's probably a bit too early to see. But there are some encouraging signals in terms of the upturn hopefully happening, so we hope that we will be more endowed(?) in terms of the demand there.

What is your estimation of these projects? Is there a heightened risk for cancellations? How do you see that? Do you expect all of these to materialise in sales sooner or later?

We do expect them to materialise in sales; these are almost ready vessels, so a cancellation would certainly have consequences to many others, not only us. And we actually, even now in April we've seen some better movement in the letter of credit openings. So as I said, we continue to be, in that sense, same view on the full year, full year sales.

Okay so financing is the maybe common denominator?

Financing and of course it is a question of a bit playing time in the chain, when there is not necessarily a desperate need for the new vessels, so in that sense it tends to have that maybe you push things a month or 2 without any dramatic issues, then obviously there are contractual issues coming at some point if you postpone them for longer than that.

And then, one more question, on the extra costs that you're incurring in, for example, now in Sweden in Hudiksvall, do you have any estimate for how much those type of extra costs will be this year?

Well, when it comes to Hudiksvall, the case is now closed, the negotiations are now done and we can now address the overcapacity situation there, as planned and we are well on track with the other cost savings. So in that sense I don't, with the current order intake and volume expectation, I wouldn't really foresee much of these that would be at least in any material way affecting this year. Then we have obviously some restructuring costs reported separately and there will be some costs still coming on. We now had 1.8 million for the 1st quarter. We do expect a slightly higher number for 2nd quarter, but nevertheless in single millions.

Thank you.

Question

()()() for () Bank, 2 questions. First about the Kalmar and the cost overruns in the project. When can you be sure that those risks are over? Is it 3rd quarter or do we have to wait for the 4th quarter until we see that those risks are not materialising?

Overall those large projects that we have ongoing are now tracking on target at the moment. The risk is in 2 phases, one is actually related more into the mechanical engineering and project deliveries. I would say that we have passed the peak of that risk period at the moment. However, MacGregor and Kalmar is engaged in many of the leading automation projects. In the world in total, we have about 17 projects going on and many of those automation projects are fully unmanned and leading edge of the development at the moment, so there are further risks in terms of the performance and deployment of that softer automation then that will then materialise more towards the end of the year, early next year. In that sense, again, at the moment those projects and the development of that automation solution is tracking on target.

Thank you and a second question also related to the risks to you(?), in the comments on risks you mentioned this rainbow(?) Cargotec and how important it is for Kalmar's profitability in the future, do you see that there are some new risks or uncertainties at the moment? And why do you mention it here specifically?

I don't think there are any specific, I mean it's a question of it's a new facility, ramping up a new factory obviously there's always certain risks involved in that one and then making sure that we get enough volume in there to make that profitable and drive down the costs down as well.

And we did have that same risk noted also in our annual report, so it's not something that has now appeared.

Could you update a possible timetable at the moment? When can we see some sales figures for example from the joint venture?

Well the facility is open. At year end it has been taking orders and is working on the manufacturing of those 1st orders, so in that sense, we are so far on track, but as Mika was saying, it's a big brand new facility and there is still a lot of work ahead of us obviously to ensure the right learning curve in the ramp up. And in that sense there's no change to what we said earlier this year, 2013 will very much be a ramp up year from that point of view.

Thank you.

Question

Yes hello, I know it's unfair to ask this when you've been in the job for a month and something, but given the time that you've spent with the company and looking at the guidance for 2013 and these figures, do you feel comfortable with that? There's always the question when a new CEO takes over that is there going to be a table cleaning kind of exercise? How would you comment on that?

Well as I said, we have kept our guidance unchanged. Obviously, when you look at the steady state pace, there is a discrepancy between the Q1 numbers and the rest of the year; that's very obvious. We have spent a fair amount of time looking at the numbers, looking at the forecast for the rest of the years and we still feel comfortable with the guidance we are giving there. But obviously, it's always clear when you have such a weak Q1 that your risk level will go up.

Thank you.

Paula Liimatta

Okay, if we don't have any questions here in Helsinki, Operator please can we start with the questions from participants on phone lines?

Jergen Sidesht (?) – HSBC

Good morning, a question to the Marine market development into Q1 for () positively, do you have any indication if that is continuing in terms of order intake for Q2? That would be the first question and the second question, you mentioned that still a lot of work has to be done in terms of cost improvements. Can you elaborate a little bit more about ideas or by when you can give more details in that regard? And maybe also on the planned partial listing of Marine, could there be, is that strategy also under review? Yes, that would be the last question, thank you.

That was quite a number of questions, let's see if I get them all right. The first one was related to I guess the outlook on the MacGregor side and the order intake in there. We feel fairly comfortable with the situation at the moment. As I said, overall there are increasing weak signals in the shipping industry. Overall, the demand for the shipping first of all is on the increase and that would tend of course to reflect positively on the ship building hopefully as well. The shipbuilding prices are probably lower than they've been for quite a number of years and that is potentially an opportunity that many of the operators would then seek to take advantage of. So we would see obviously the offshore segment retain very strong demand there at the moment and there are a number of opportunities that MacGregor has in the offshore segment as well that we feel quite comfortable and positive about. So again, I think we are very happy with the order development in Q1 and we have no reason to believe that that would change for the rest of the year as well. Then the number 2 question was in terms of the cost structures. As I said, a fair amount of work has been done on the overheads on the corporate level as well as in the, especially in the Kalmar side. We have still a number of programmes running in the Cargotec that are required to make this company a more globally integrated operator with better control mechanics that are related to SAP(?) rollout some of the other tool development, as well as then carving out and separating the different business areas from each other as an independent company, that will then give I think more focus into the different businesses. These costs are between a minimum of 7 to 10 million Euros just for the MacGregor () on its own and then you have on top of that one the SAP(?) rollouts as well, so there are a number of costs that are more temporary in their nature and that we still expect to run throughout this year and part of the next year. In many of the other areas like in EAB(?) I think the main issue is not so much the cost structure as such, but the product margins and product cost area and the product cost area and product margin included in pricing as well, is clearly an area that we need to be more focused on throughout this year as well.

In terms of the listing of the MacGregor, we have now said that we expect the listing to happen earliest at the 1st half of 2014. The actual physical or technical carve out will happen by the end of this year. We will have the technical capability to spin out and list MacGregor by the end of this year. As we have said all along, the final listing decision is depending on the market conditions that we will then review and follow up.

Okay thank you.

Tom Skogman – Handeslbanken

Yes this is Tom Skogman from Handelsbanken in Helsinki. I would like to get an update on cost savings and the timing of how they should come into the numbers this year and also what's remaining for next year, just on a rolling basis. And then my second question is the new CEO's view on the need for consolidation. We have seen quite dreadful numbers for most container port crane suppliers now in the last quarter, so that suggests that consolidation is badly needed. What is your view?

Eeva, would you like to take the…?

Yes, if I start on the cost savings, so you may remember we said earlier that we expect some 30 million of cost savings during 2013 and we are well on track with that. We have roughly 7 million cost savings in the 1st quarter, mainly in Kalmar and then some on the corporate costs which you can see separately reported on and otherwise activities are on going and then we are still comfortable with that 30 million number for the full year. We have not indicated the number for 2014 as such, but obviously as you may well remember, some of the cost savings actions relate to supply issues related to Poland which will be ramped up during the 2nd half of the year and hence obviously the run rate at the year end could be expected to be somewhat higher than the outcome for 2013. But I think we're more comfortable in coming back to that when we see a bit more month(?) that we are surely on track.

But can I just clarify this? If your guidance is for 30 million of cost savings this year, does that mean that on a rolling basis, you will reach 50 million by the end of this year compared to the end of 2010?

The rolling number will be higher than the 30 yes, this 30 is the number that will be visible in the 2013 numbers. But then what exactly the rolling number, I leave that for you to estimate for the time being.

All right and regarding consolidation, I think our focus very much at the moment is the operational improvement of each one of our business areas, rather than looking at any strategic options at the moment. You're absolutely right that the performance in this business area has not been great across the industry at the moment. If I look at the Kalmar, there are really issues relating to the large crane projects and the deliveries of those ones. Also, as far as I understand, even the market leader, which is the JPMC(?) and the large crane project is recording losses on a continuous basis, so one can of course ask about the health of the whole industry and how much the consolidation would help when the clear market leader is not able to make money on that one. I do think that our focus very much will be in driving our leadership in the automation area and services as well. And one has to remember that many of the parts of the Kalmar business today are already financially quite healthy and progress well, things like mobile equipment etc.

Thank you.

Anti Sutelen(?) – Danske Bank

Thank you, this is Anti(?) from Danske Bank. I would like to ask a question on MacGregor. Looking historically, before the China driven ship ordering boom started, MacGregor EBIT margin was clearly lower than 10% and now that volumes seem to be falling back again to the pre-China level, what's the difference now? Why shouldn't the margin fall back to under 10% now? Thank you.

The margin is very much driven by the volume as well and of course there is a product niche(?) issue always in terms of how much hardware versus engineering solutions you ship as well, but a very, very clear driver there is the volumes. As we have said, we expect throughout the year the MacGregor revenues to recover to be approximately at the level of 850 million and with that one, we still expect a double digit number for the operating profit for MacGregor.

And maybe one point to add is that our market position and our whole supply chain is in our view clearly in better shape than it was some 5/6 years ago in the years you referred to, so I think overall, we've done quite a lot of good actions in the business during this time.

Can you confirm that the MacGregor gross margin is now higher than what it was in say 2007 and 2008? The reason for asking is that in 2008, you had sales which was 950 million if I recall right and EBIT margin was 8 ½ if I recall right, so lower than 10%.

Yes as I said, with this year's sales estimate of 850 million, we expect low double digit, so yes obviously on all lines we need to be better and we think we are.

And in terms of what sort of ships we are delivering solutions to, it's changed quite fundamentally today. As we have indicated already, the container ship market remains relatively weak still today. We have seen clearly the demand emerging from RoRo ships with the globalisation of auto industry that Korea manufacturers and I think in the future, the Chinese manufacturers, the shipping of the cars will certainly be I think a growth area, where more RoRo ships and capacity will be required. The good news for us is that in terms of the MacGregor related solutions, the sales per ship in the RoRo type of ship are considerably higher than they are in a standard cargo ship and as I said, the demand for that solutions and we announced a couple of wins on that one in the Q1 as well. The other interesting area, as I said again, we see positive development in the offshore side as well.

Okay thank you.

Johan Iriahsan – Shedrow(?)

Hi this Johan at Shevrow(?), you just clarified the question I had on MacGregor there, but one question about the IPO and the reason for delaying it. Is it because you're seeing a wobbly market right now? Or are there technical reasons why you need to delay the potential IPO?

Technically, we would have struggled to be ready honestly on the 2nd half today. The complexity of the carve out and the size of the company and global reach of the Cargotec is not a small feat as such, so we still have a lot of work ahead of us. I mean we have now, just an indicator for you is that we have booked so far 1 million Euros for cost rate to that one. We expect total cost for the whole year to be 7 to 10 million Euros so there is still a lot of work ahead of us on that one. Obviously also the market conditions, as I said, although there are positive indicators or weak signals at the moment, they are not yet there at the level I think we would be comfortable with proceeding with the IPO as well. So it's a combination of really I would say both factors.

And the decision to separate the lease(?) part of MacGregor was obviously taken before your time. What's your take on this? Does it make sense?

The driving for the MacGregor listing clearly is that we believe that there is further consolidation that will take place in the MacGregor space and we certainly would like to participate on that one. I think MacGregor has a very good long term growth potential ahead of that one and we need to be able to finance that growth and the idea here obviously is that with the listing of the company, we generate both cash as well as the separate equity that can be both used as a tool and to do further M&A and drive the business, both organically but very much also inorganically, so I still see a sense and good possibilities developing in that direction.

Okay great, thanks.

Jan Kaulia(?) – Nordea Bank

Hi this is Jan Kaulia(?) from Nordea. Just a question on, I think you already touched on this MacGregor orders, but I was just asking if the current orders that you are booking, would they be almost all for quite recently contracted new ships? And would the fact that a ship building order book or that the ship yards has been coming down and would that play any role for you or have the orders for those ships that were ordered earlier, have they already been equipped with your products or would that play any role? Is everything now dependent on the next ships to be ordered?

Well, certainly the orders we're now booking are to new orders on the RoRo offshore side, these are, the equipment is quite complex from a load handling equipment, so it is very much ordered very close to the, after the ship is ordered. So in that sense, the question, the answer to that part of your question is "yes". I'm not sure I fully catch your question on the existing backlog in shipyards. We don't see in the old backlog and I think most of those decisions have been made with some exceptions, but I don't know if Mika can…?

Okay that's fine.

One view on that as well is that with the more complex deliveries like the RoRo ships and hopefully an increase in business and offshore side as well, your sales profile is somewhat changing to what's more project based, so you actually start to apply POC accounting in some of these deliveries and then change the order versus sales profile somewhat from the current.

Okay, I have a second question if I may? Just a reminder on, last time we spoke on this Kalmar situation, that we already nearly had last year some 300 million stock of these orders, problematic orders and last time we spoke, you said that those would now be on your books at break even margin and future sales what will happen? I mean would that be adjusted well enough? But I would just now ask an update on that particular part of your order book, has this caused more problems? Would this Africa deal, would that have anything to do with that particular question that we discussed already, or just an update on those please.

The Africa deal has nothing to do with this large project. It's a separate and very particular issue related to logistic issues, that you needed very large equipment at this remote and not particularly well equipped ports and I think we underestimated the complexity of actually getting those things offshore and that incurred some extra cost on the large projects. As I said in the beginning, we are now tracking on the estimates we have made for ourselves for this year. We feel that the mechanical delivery and project execution delivered part of the risks starts to be behind us, but there still are, many of these have a very large portion of automation technology in there and that technology and performance risk is still there for some time.

And answering your question on what the current number of the order book related to these orders, we are down from the 250 we had at the year end, we're now roughly at 200 million, meaning that we have recognised in the 1st quarter a revenue of some 50 million Euros of sales from those projects and roughly 200 million remain for the coming quarters of the year.

Okay, thank you that was my questions.

Kristian Magledad(?) – DNB

Hi, it's Kristian from DNB. 4 questions, firstly, on the cost savings, you said 7 million cost savings in Q1; was that an annualised number? Or was that actually they year over year effect in Q1, so annualised would be 28 million? Secondly, how much did the cost of the Hudiksvall plant cost in Q1? Thirdly, if you could give more of a general pricing comment on the pricing environment for Kalmar and Hiab in their industries? And fourthly, you gave a quite clear guidance for Marine in 2013 when it comes to sales and also on EBIT, it would be interesting to hear your thoughts about sales and EBIT development for the rest of the business as well, that you (), yes, your thoughts on that. Thanks.

Okay, if I take the first 2 questions, so the cost saving number, that 7 million, that was a quarterly number. So yes, if you annualise that, you would reach the 28 you mentioned. So we had a good start on that part. Then when it comes to Hudiksvall costs, we don't want to give a very specific number. Obviously for us to mention it, it was a million issue but it wasn't very many millions, so hopefully that gives you some idea. Then you had the question on the pricing environment and then if we would like to elaborate on the guidance for Hiab and Kalmar this year.

The pricing environment, as I said one of the key issues clearly that I see here is the unsatisfactory product margins in many of the areas and this obviously needs to be tackled in both directions. We need to work very hard on our product costs in some of the key areas we have. We also need to be I think more disciplined in our pricing as well and generally, I would say, there's still room for improvement in terms of how we price, how we market for many of these products to our customers. So, a development area clearly for us. Obviously that market and the competitive environment is not easing up in any of these areas, so that's a market environment you're facing. In terms of then the overall guidance, we gave fairly specific guidance already. In MacGregor we have also seen that we expect key hub(?) sales to be somewhat below last year and obviously when you put those 2 together, it means that the Kalmar business revenue will increase again somewhat for this year as well.

A follow up question on that, first on the cost savings, you said 28 million annualised in Q1 and you have a target of 30; at the same time, you've said that cost savings will probably be back end loaded in the 2nd half, doesn't this imply that you're going to reach more than 30 million in cost savings this year? And secondly, just on the market share, are you ready to give up market share in the other divisions to get higher prices? That's the second follow up.

Well the first question on that, we've guided on the 30 million and let's see if we can do better. But I just, as a note of warning, that obviously some of the overhead related which we're now mainly talking about, whether FX came in 1st quarter, are personnel related and they come quite quickly. There are some other actions that are more cost of goods related, related to the production issues and hence they will be more backend loaded. So let's see where we are after the 2nd quarter, I think it will be somewhat challenging to keep up this speed in the 2nd quarter. So I still would repeat what we said, that it's back end loaded and then as I said, obviously hopefully we can land on a 30 plus rather than 30 minus level, but approximately 30 is what we've said.

The question of market share versus pricing, obviously quite difficult to answer. We operate in so many product areas and businesses; generally, I'm not a fan of giving up market share. That tends to be in the long term more expensive than fighting for that one I think the answer in most of our areas, is to make sure our products are competitive from the technology and capability point of view, but they do need to be competitive from the cost point of view, for us to be able to answer that competition. I would make an exception probably around these large crane deliveries and others where the business and projects have been quite challenging for all the players and frankly, I struggle to see the point of committing or engaging in the large projects that are clearly loss making, so I think we are going to show some discipline around that area.

Very good, thank you very much.

Johan Egberton(?) – ABT

Yes hello, I've just got a question regarding the credit issues(?) for MacGregor; is there a trend shift there or what are you seeing ahead? You said that you will reach the targets, but at the same time you mentioned this as a risk. And as we saw it in Q1, what makes you believe that this will change in the coming quarters?

We are obviously tracking every order, every ship that is built around those orders and I would say have a fairly good hand in terms of the market developments. Also as I already said, we see weak indicators for the shipping industry and the market to turn around and see some positive development on that one, so overall, if I look at what's in the pipeline at the moment, the orders we have received and the projects that are on going, we feel fairly comfortable with 850 million at the moment. The risk I think is related to the same situation we experienced somewhat on the Q1, which was that even though we have ships ready to be effectively delivered, we are still not seeing the letter of credits open for those deliveries and shipyards are pushing back the orders and deliveries. And the risk obviously is that that situation will continue throughout the year, where we see continuing slippages. But obviously you then slip from one quarter to another, so that's kind of helping as well. But there is perhaps an expectation as well that with the changing sort of tone and the atmosphere in the shipping industry, might see those slippages not materialising at the same pace towards the end of the year as well.

Okay thank you and then just a follow up on cost savings, 28 million annualised, why don't we see it fully in the results this quarter? Can you help me understand what's driving that and how that will progress in the coming quarters?

Well it is a part of the Kalmar profitability, but then you have to take into account that the volume level there and also roughly 5 million of cost overruns in project going in and taking the number to the other direction. So, I think in that sense also, our earlier statement of being backend loaded for you to see the visible effect is the correct one, because as always, any cost structure is then related to a certain more normalised level. And 1st quarter volumes are not yet at the normalised level for this year in our view. As I said, we have quite a good order intake and order book to deliver from here onwards.

Okay thank you.

Jergen Sidesht(?) – HSBC

Yes, please a follow up question here on the Q1 cost savings, the 7 million. Could you split that up into Kalmar in the corporate line and the 8 million EBIT here of the corporate line in Q1, is that a run rate we should use for the next quarters? And then maybe also coming back to the cost savings programme, you talked about the savings, can you update again on the costs that you expect for this year and how are you treating the costs related to the preparation here of the IPO? Is it something you adjust for? That will be the question, thank you.

Okay, if I start from the 2nd and 3rd, so yes roughly speaking the corporate 8 million for the quarter is a good proxy. It is in line with what we've said earlier, 30 something for the full year on corporate cost RO(?) so that is there. Related to the MacGregor separation, the costs are, as they get, we didn't consider this 1 million that material to make a separate note on it. We will obviously keep you updated on the progress of that. We will book them in the corporate cost as such, and then indicate the number for you separately, so you can follow that up. And then, sorry I lost your first question, can you please repeat that?

On the costs related to the cost savings programme, what do we have to expect exactly for the measures(?)?

Yes sorry, so we expect this for the full year this approximately 30 million and of the 7 million, clearly a bigger part roughly 5 million from Kalmar and the rest on corporate and nothing really meaningful yet in Hiab or MacGregor.

Yes and sorry to come back, the costs you have to implement the measures, the cost saving measures, what do we have to expect? So the difference between your adjusted EBIT and the reported EBIT? What is the budget or what do you see as costs?

Well the visibility on the 2nd quarter is maybe the best I would guide on 5 million for that quarter. We had somewhat less in the 1st quarter, you may remember what we discussed at the year end, we had somewhat less in the 1st quarter. Some was postponed to the 2nd quarter, so the overall magnitude hasn't really changed and then maybe some tails(?) in 3rd or 4th but nothing really material, no. Something not fully clear yet, obviously, so if there would be anything material, we would then provide you with an update on that. But as I said, do expect a bit more in the 2nd quarter than what's materialised in the 1st.

Okay thank you.

Annette Limpera(?) – Deutsche Bank

Hi, it's Annette from Deutsche. Can you please comment on the cost margin in the order books across the segments?

Well gross margin for the quarter on a Cargotec level was obviously on the low side and we need that to improve to reach our guidance and that applies for all the 3 segments, so in that sense you can read that as saying that the order book cost margin on average is better than the 1st quarter achievement.

Okay what about then on a year on year level, has it been improving or…?

I think overall we're quite pleased with the order intake received. As I said, it's a pretty stable mix of not any one single mega project, it's more across both in Kalmar and MacGregor and that obviously tends usually to support cross margins levels as well. Of course the final test is always when you deliver, but as I said, kind of taking the business, we obviously have been aware of the fact that where we are and where we need to be.

Okay thanks and can you also comment a bit on the problems that you've had with these automation deliveries in Kalmar?

Well in the 1st quarter we did not have any problems related to the automation issues. As our CEO was saying, we're actually on track with those, we also did obviously mention that of course we still are a work in progress in them but so far the start of the year has been as planned for them. So really the cost overruns as I said, relate to more a logistic issue in a specific ship to shore crane delivery, which is nothing to do with automation.

Yes but before, where have the problems been in the automation deliveries then? Just to understand them better.

Although new in the business, I'd say I have a fairly extensive background in project business from my time in Nokia Siemens networks and I think the capabilities and experience in Kalmar a year ago, or a year and a half ago when this started, was not at the level you require for a project business in terms of having the right calibre of project management, having the tools, systems and the experience to support a large scale delivery projects. I have reviewed that quite in detail myself now, with the project directors and feel fairly confident that the capabilities to the people we now have in place, they know their stuff, they have the right tools and experience and in terms of project capability maturity, we have advanced quite a lot in the last 12 to 18 months.

Okay thank you.

Paula Liimatta

Thank you Operator. Do we have any more questions in Helsinki? Okay.

Question

()()() NCB(), you announced very good orders for the 1st quarter for both MacGregor and Kalmar. Can you comment how the 2nd quarter has started and what do you see in terms of order levels for the 2nd quarter? Should we assume that maybe there were maybe relatively good orders booked for the 1st quarter? Or should we assume that there's even higher levels to come in the next quarter?

Well it depends where you compare, I think overall we are fairly happy how the quarter has started and we see progress in many areas. If I remember correctly, the Q2 last year was a very high order intake, so whether we are able to reach that one I think is a question mark and perhaps not but () otherwise, I think we see a good progress at the moment.

You may remember we had a big Kalmar, more than 100 million single order included in the 2nd quarter of 2012, so that's maybe good to take a note.

Closing Comments

Okay thank you, if we don't have any more questions here in Helsinki or people on the phone lines, we are ready to conclude and we would like to thank you for your attention today. Thank you.