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Operator: Good day and welcome to the Cargotec Corporation Second Quarter 2016 Interim Report Conference Call. Today's conference is being recorded and at this time, I would like to turn the conference over to Leena Lie. Please go ahead.

Leena Lie: Thank you. Good afternoon, ladies and gentlemen, and welcome to Cargotec's January-June 2016 Interim Report conference call. We are joined here in Helsinki by a handful of people and also some people following the conference call. The presentation will be started by our CEO Mika Vehviläinen, followed by our new CFO Mikko Puolakka, and after the presentations we will also have time for questions, and you should also note that our previous CFO Eeva Sipilä is here in the room to support with the questions. But without further ado, I would give the floor to Mika. Mika, please.

Mika Vehviläinen: Thank you, Leena, and good afternoon from my behalf as well. Let me start with some of the highlights regarding the second quarter 2016. Generally, we are satisfied with the progress we are making in Kalmar and especially in Hiab, but obviously the market conditions and the market environment in MacGregor continues to be highly challenging. Our order book compared to the end of last year is pretty stable and our orders received declined somewhat. That decline is coming almost solely from the strong decline in MacGregor orders. Kalmar orders, they are fairly flat, slightly down, and Hiab had a strong order development as well. The sales declined by 4% – this came solely from the strong sales decline or revenue decline in MacGregor and we saw good progress both in Kalmar and Hiab in terms of revenue development. Also pleased with the progress that's been made in our operating profit despite the very difficult and challenging market conditions in MacGregor and our operating profit was up to 7.2% or €65 million. Also very pleased with the strong progress we continue to make in our earnings per share. The earnings per share was up by 47% compared to the Q2 2015. Cash flow was slightly below the EBIT number and I think Mikko will cover in his presentation a bit more in detail. That was really primarily through the strong deliveries and revenue growth in

Kalmar and Hiab. Gearing is down to 45.5%, well below our target of 50%. Also pleased with the development we had in our services orders and increasing our orders by 12% year-on-year.

Looking at the market environment, obviously it's a very mixed picture in our businesses. Let me start with Kalmar and the container port business. The container traffic continues to grow but at slower rates. The expectation for that traffic growth for this year is below 2%. However, the drivers we have talked about also in the past in terms of the larger ship sizes cascading through the different ports, the new traffic routes with the opening of the Panama channel some time ago, and then the automation requirements are all driving very active market development. However, there is one factor that is somewhat impacting the kind of progress at the moment, and that's the strong consolidation we see in container shipping lines. The way it looks at the moment that we will go down from roughly 16 major players to as little as 3 major alliances. Obviously this then will be impacting the container traffic in different ports as one expects different alliances to compete the ports against each other, and this is causing some uncertainty within our port customers and this has delayed some of the decisions. We were expecting our orders actually to be up year-on-year Q2 but we saw some of the major decisions to be postponed further back due to the uncertainty in markets. But still the market is at the healthy level and the activity level is pretty good, as you can see also from our order book in Kalmar.

The Hiab market, look, is mainly positive with the exception of the slowdown in South America. US market continues to be strong. Construction activity remains strong and is to be seen to remain strong as well. There have been expressed some doubts regarding the decline in truck registration, and is it true that the truck registrations in the US are down from 2015 level. I would like to, however, make the note that the actual numbers are still very high. 2015 was the strongest truck registration year in the last ten years in the US, and the expectation for the truck registrations in the US is to be roughly at the same level as it was in 2014, which was actually historical-wise quite strong years. So yes, some decline in truck registration but overall, still quite strong and large numbers really driven, from our point of view, by the activity in the construction industries. Europe obviously varies from country to country, but overall I would say that there is a sort of – we see recovery in the market. If one looks at the truck registration numbers across Europe for the first five months of the year, one sees actually fairly strong growth happening in the market and that's of course also visible in our numbers. The demand for services also remains healthy at the moment.

Clearly the market for marine cargo handling, especially for the cargo ships, has been extremely weak. One actually has to go back all the way to the 1980s to see such weak numbers in terms of new ship orders on that one. If one looks for anything positive on those numbers, it looks to be so that the second half of 2016 will be somewhat stronger than first half of 2016. Actually, we saw more ship orders in June than we have seen in the first five months of the year. However, we do not expect that the market will recover in a significant way for some time and the situation remains still difficult with the big overcapacity in the market. The bright spots in the marine industry from our point of view is that RoRos and ferry market as well as then the specialty ships such as the research and fishery vessels which are somewhat taking place of the offshore market in shipyards at the moment. The demand for offshore load handling, despite some recovery in oil prices in the first half of the year, still remains low. Demand for services is satisfactory but very clearly we see the pressure also on services coming from the customers' efforts to try to save costs, including the maintenance.

Looking quickly at the key figures, and we will obviously go through these a little bit more in detail, operating profit improvement, operating margin of 7.2%, the interest-bearing net debt is down to €690 million and earnings per share for the Quarter 2 was €0.63.

With that one, we have a very privileged situation here today as we have two CFOs in here and first of all I'd like to take this opportunity to thank Eeva for the last eight and a half years she has served as the CFO for Cargotec. She is still here today, I think her last day in office, to make sure that we are able to answer all questions with Mikko, but right now I'd like to hand over to our new CFO Mikko Puolakka, who will cover the business area development and a few other things more in detail. Mikko.

Mikko Puolakka: Thank you, Mika. Also, good afternoon from my side. Let's start with Kalmar as the first business area. We saw an order intake decrease of 3% in Kalmar, nothing exceptional there, mainly related to these large project orders which depend very much on customers' decision-making processes. The order book, however, strengthened by 15% compared to 2015 year end, which of course offers a good basis for this year's sales, full year sales forecast. Our sales in Kalmar grew by 7%, especially in Americas, in large projects. As Mika mentioned, the profitability improved to 7.6% versus last year's 7.3% and the main contributors to this profitability improvement have been the continuous improvements in our profitability improvement measures as well as new product development. However, the profitability could have been also even better if we would not be investing in future developments, i.e. in our R&D activities including also the digitalisation.

Then moving to Hiab, which had basically in all measures almost a kind of record quarter, if we look at the order intake, it was €239 million, a plus of 8%, and I would say that the growth is coming almost in all Hiab's product categories and in all market areas. So very strong market position in this respect. Hiab's order book decreased by 7% from the end of 2015 level, mainly because of the very good deliveries, especially towards the end of the second quarter. Hiab sales were €283 million – this is plus 19% versus year-on-year – and this is a record high quarterly sales in Hiab's history. Profitability as well, record high, 14.7%. We had a very good delivery quarter and of course these also continuous improvements what we have been doing in the delivery capabilities, for example our Polish factory, have been contributing to the profitability improvement. Of course one should not expect also going forward that the curve here or the profitability levels will be or can be maintained. We have had an exceptional quarter in the second quarter from the delivery excellence point of view and going forward, for example the Quarter 3 is expected to be somewhat lower due to the quarterly fluctuation and the seasonality effects.

And then finally from a business areas point of view, MacGregor, where already Mika concluded that the market situation remained very, very challenging. The order intake declined by 32%, order book down by 16% and sales down by 37%. Our profitability was 2.7% excluding the restructuring charges; also, to a certain extent, impacted by the un-absorption of certain costs, and this topic we have basically addressed now by starting further reductions. As an example there, we have announced 85 persons reductions in Norway. From there, we expect roughly €2 million savings starting from Quarter 4 this year, and then €7 million in 2017.

Our cash flow from operations remained healthy. Cash flow for the second quarter was €56 million. Cash flow was, to a certain extent, impacted by the very high deliveries, especially in the second half of June, which increased our accounts receivables. So if you look our working capital basically there, the accounts receivables have increased. These are normal accounts receivables which will be then settled in the coming next few months' time and originating from these June deliveries.

Then if we look the sales mix, now basically due to Hiab's excellent performance, Hiab's share of the total sales has increased from 25% to 31%. Services represent now 24% of the total company sales. And then looking at the regional split, Americas and EMEA have increased while APAC has been decreasing, and the APAC decrease is very much linked to MacGregor's sales and order intake performance.

When we look the sales split by business area and by geographical split there, no major changes in Kalmar, Hiab and MacGregor. In Kalmar, Americas is slightly higher than a year ago. This is mainly coming from these larger projects' sales and POC basically originating from orders received in the past quarters.

And then as a last slide from my side, if we are looking the financial metrics, positive trend continues. Our rolling 12 months' return on capital employed was 11% versus 9.8% a year ago, and the second quarter operating profit 7.2%. So all in all, good development and in return of capital employed we have the long-term target to reach 15%.

With those words, I would then hand over back to Mika.

Mika Vehviläinen: Thank you, Mikko. A few words about strategy execution, where we are with that one. As you know, we have set our strategy to be the leader in intelligent cargo handling. To support the execution of that strategy, we have three corporate-level must-win battles: the world-class service offering, lead in digitalisation of cargo handling industry, and building world-class leadership.

In terms of the services, obviously I am pleased with the 12% increase in the order intake but frankly, somewhat disappointed with the revenues that they're actually pretty much staying flat compared to the situation a year ago. This is partly due to the fact of the market environment, especially MacGregor, but it's also evident that we need to be very determined in our efforts. We have told our customers for many years to sort of go elsewhere also to buy services, and it will take some time for our messages to get through that you can get competitive services, high-quality services on time from Cargotec as well. Many of the actions that we are taking there are actually proceeding on schedule in terms of the new structures, processes, tools and systems.

The leadership in digitalisation, I'll take a few examples of that one. We have now launched our first products that are based on the new Cargotec IoT Cloud analytics platform. One example of that one is the Kalmar Insight, which is a real-time performance and productivity tool for terminal operators that is combining on-time, real-time information from the terminal operating systems' equipment performance and maintenance systems as well.

In our software business, we are also very pleased with the development. We set up or combined all of our software assets under one software division in Kalmar that is now called Navis. We are continuing the integration of the INTERSCHALT software business together with the software assets of Navis and XVELA cloud-based terminal cooperation platform, and the combination and joint offering of these products has got a very good reception from our customers. Overall, we still keep on investing and increasing our R&D expenditure. Year-on-year, our R&D expenditure is up again by 17%. We are investing especially into the software capabilities, automation, electrification and hybrid products, as well as renewing our products and in that way, gaining better competitive advantage as well as the new cost points that is also visible in our revenue development both in Hiab and in Kalmar.

We are building world-class leadership. Our new leadership training programme where we are aiming to develop common performance-based corporate culture is also proceeding extremely well. We have discussed also in the past in our quarterly communication as well as in capital market days about the need to improve further our control environment improvement. Those investments are still ongoing in terms of the tools such as SAP, processes and systems. During this year, we have actually done a self-assessment of all of our operational units and all of our operational heads of the units have now signed off those self-assessments. And based on those assessments, we have found many – several improvement opportunities still in our control environment. As a part of increasing our control environment and tackle that change in market expectations and the fact that we are actually operating in very sensitive industries and some of the sensitive regions, we are further enhancing our resources in ethics and compliance, and I am very pleased to announce that Anna Romberg has now joined as the new Vice President for Ethics and Compliance, joining us from TeliaSonera lately. This will remain very much in our focus area and development area moving forward as well.

Outlook is remaining unchanged. We expect the revenues to be at the level or slightly down from 2015, and operating profit excluding restructuring costs to improve from 2015. With that one, I think we are open for questions and answers.

Leena Lie: Thank you, Mika. We are ready for questions and let's start here in the live audience in Helsinki.

Pekka Spolander: Pekka Spolander from OP Financial Group. A few questions, first about the Hiab margin. If I recall right, after the first quarter, you indicated that it was also somewhat unexceptionally strong and we should not maybe expect that the improvements for last year will stay at those levels, but now in the second quarter, the improvement was even larger. Could you talk a little bit more about Hiab and what's actually behind this, and was this second quarter strength also a surprise for you?

Mika Vehviläinen: I know we are running out of excuses here too but it really was an exceptional quarter, in a sense, if I go a little bit in the background, what's obviously happening is that when we shifted the production out of Sweden into Poland about two years ago now if I remember correctly, obviously it takes some time to ramp up the production capabilities. We have invested into our sort of lead time improvements and production processes and tools and systems, and that's clearly starting to pay off. So our lead times are actually now down to roughly five weeks, which is exactly what we've been targeting at at the moment, and what's happening is effectively that as you can see that we have eaten into our order backlog. So we had an exceptional delivery performance, especially out of Poland – obviously helped by the market situation but as Mikko was already indicating, we kind of emptied the slots in Q2 and obviously also declined the order backlog, so one cannot expect similar sort of delivery performance in Q3, which is seasonally lower anyway. So certainly I think the other factors remain pretty much the same but the top line was higher than we clearly expected in the Q2.

Pekka Spolander: But traditionally the fourth quarter has been clearly the strongest in Hiab. Can we or should we expect that to take place also this year or…?

Mika Vehviläinen: No, we'll have to see obviously on that one. Hiab is the one that has short lead times but at the moment, the market indicators are still positive in here both in Europe as well as in the US.

Pekka Spolander: Then the other question, the corporate costs, they increased quite a lot and you refer to the weaker results in associated companies and some other costs. Could you open really the [driver] of this and what will be the normal level in coming quarters?

Mika Vehviläinen: Yes, we are somewhat up and the main sort of, kind of running costs are related to the control environment improvement. We talk about the SAP investments are still up for us. Obviously that will sort of run its course at some stage. We have increased some of our staffing in those areas as well. The other area is the digitalisation effort. Some of that one we are actually doing at corporate level. We have increased our capabilities, brought some world-class people into the organisation and are also funding some of the research and projects from that level. But then we had a kind of one-off type of exceptional cost that they are primarily related to our ownership of an associated company in China where we had, I think, if I remember now correctly, €7.7 million cumulative costs booked for this year on that one. So if you exclude that one, you'll get pretty close to the run rate.

Pekka Spolander: And finally about the outlook for MacGregor this year, I think you in the first quarter report, you indicated that we could expect the EBIT to improve both in euros and in margin. Is that still valid, what we should expect?

Mika Vehviläinen: Well, if you compared that to the last year results including the one-off kind of settlement we had with a customer, that's the case, but overall I think the market situation remains quite challenging so the numbers you've seen in Q1 and Q2 are probably fairly indicative what you will see for the rest of the year.

Pekka Spolander: Okay, thank you.

Leena Lie: Do we have other questions from the room? No? If not, then operator, please could we have the questions from the conference call?

Operator: Yes. If you would like to ask a question at this time, please press the star or asterisk key followed by the digit 1 on your telephone and please ensure the mute function on your telephone is switched off to allow the signal to reach our equipment. Again, please press *1 to ask a question. We will now take our first question from Manu Rimpelä from Nordea. Please go ahead, your line is open.

Manu Rimpelä: Okay, good afternoon, it's Manu from Nordea here. Firstly, can I just get back to the other costs you mentioned, €7.7 million of nonrecurring type of costs, so that's treated as operational in the other costs. So can you split that between the quarters and if we would have – obviously you don't expect that in the second half of the year so the margins would have actually been even better in Q2. Is that the right way to think about it?

Mikko Puolakka: Yes Manu, this is Mikko Puolakka. Yes, basically you could consider this as quite extraordinary or one-time type of costs. They are related to the financial performance of these associated companies and as Mika said, we have not had these kind of items, for example in, during last year, 2015. We don't report this as kind of one-time type of costs as this is normal business for us and it's related to the associated companies.

Manu Rimpelä: Okay, but is it the write-down or is it just reporting the losses from the associated companies here?

Mikko Puolakka: This is mainly related – or this €7.7 million is related to the associated companies.

Manu Rimpelä: Okay, and then in terms of the MacGregor's, you mentioned the €10 million programme so I just wanted to understand, is that a new programme that you didn't previously have or is that part of the ongoing programmes?

Mikko Puolakka: What I mentioned in my part of the presentation is basically related on top of the €25 million programme what we are, what we have announced last year. So this is a continuation to those activities.

Manu Rimpelä: Okay, and then is there – or how do you see, maybe this is a bit more towards Mika but how do you see the automation market, because I think there's been some quotes on Bloomberg for instance where you commented that you expect to close automation in the second half of the year? So is that still the case or has the market situation changed as you mentioned in your remarks, that you don't expect to close those any more?

Mika Vehviläinen: We have a large number of discussions going on with quite a lot of different port authorities. The interest, if anything, is increasing for the automation. In terms of the active cases, we have a few that are actually in the negotiations at the moment so I would still expect to close some automation deals in the second half of the year.

Manu Rimpelä: Okay and then final question is just on Hiab, so you mentioned that the market situation still remains good, and just trying to understand because my impression of the truck market is that it's very cyclical and we already started to see the European market, at least, slowing down following the Brexit-caused uncertainty. So is that something that you would agree to, that you're starting to see that market is getting a lot more nervous and slowing down in terms of new ordering, or you haven't seen anything?

Mika Vehviläinen: Anything yet, and one needs to be careful. Our Hiab revenues are actually not very strongly linked with the truck registration as one would expect. When I look at the past year, it's very clear that our sales are a lot more closely correlated with the construction index development and that's very visible in the US as well, even though the truck registration has slowed somewhat from the highs of 2015-2016, our revenues in the US are still actually increasing and we have seen no slowdown in Europe either.

Manu Rimpelä: Okay, thank you very much.

Operator: Thank you. We will take our next question from Antti Suttelin from Danske Bank. Please go ahead.

Antti Suttelin: Hello, this is Antti from Danske. I have a couple of questions. First of all, MacGregor restructuring, you have announced a few reductions and what I would like to hear is that what is the targeted level for number of employees at the end of 2016. For a comparison, at the end of 2015, you had 2500 employees. My question is how many will you have at the end of this year based on what you have announced?

Mikko Puolakka: Based on this reduction – this is Mikko. Based on this reduction, we are cutting now 85 persons from our own workforce but then of course we are having also external contractors which are not reported in our headcount. So also in that area, we are doing reductions. So we are not indicating as of today yet any exact number for the end of this year. We are actively looking at savings opportunities and there, we have mentioned now this 85 persons and continue looking at further optimisation.

Mika Vehviläinen: It's also maybe good to remember that when you look at the MacGregor absolute headcount development, obviously we have had an increase this year from the INTERSCHALT acquisition and the services arm of INTERSCHALT is now part of the MacGregor headcount numbers.

Antti Suttelin: Yes, that's what I'm – why I'm asking. You know, it would be very helpful if you could give the number of employees that you expect at the end of this year given the acquisitions and the reductions you are making.

Mika Vehviläinen: We don't know, and obviously one needs to remember that the actual potential reductions of the labour are always subject to the labour negotiations, especially in the Scandinavian and Northern European countries, so we need to see how the market develops and react accordingly.

Antti Suttelin: Okay, okay. Then, on Kalmar, I mean your peers have commented in the past that the slowdown in container growth is having an impact on the equipment demand, and now as I listen to your statements in this call, it seems that you are kind of formulating this matter a little bit differently. But could one say that you are starting to agree with what the others have been saying previously, i.e. the market is maybe getting a little bit softer for Kalmar?

Mika Vehviläinen: Not really, if we see the market activity level, if I look at our funnel for example, we have a pretty good CRM system in Kalmar and actually that funnel, if anything, has increased and the activity level is less. The one factor we probably did not take into account and was not visible in the beginning of the year was this very drastic, unprecedented consolidation that is now taking place in the container shipping industry. I mean, we are going from roughly 16 players down to 3 in a matter of sort of 18 months or so, and obviously these alliances will sort of start to put the pressure on the container ports and compete them to each other, and very clearly, while this process is going on, we have seen hesitation of some of the customers to make big, large commitments. So that's probably the thing that has changed, but I don't think that, again, the drivers we have talked about in terms of the container ship sizes increasing, the routes, the automation, those are still very much studied and visible in our day-to-day dealing with customers, and I can't obviously talk on behalf of our competitors and what they are seeing but again, our revenues were up year-on-year and our orders stayed pretty much flat, so.

Antti Suttelin: Yes. Yes, thanks and then on this €7.7 million, if I look at your profit and loss account, I can see a first year figure for the share of associated companies and joint ventures net income, and that number in your P&L is €1.8 million. So I'm a little bit lost now. What is 7.7 and what is 1.8 million? Could you help please?

Mikko Puolakka: Yes, the 7.7 is related to the associated companies. Part of that cost is in the line called 'Share of associated companies and joint ventures net income' and then part of that is in 'Other operating expenses'. So you don't see the 7.7 directly from our P&L.

Antti Suttelin: Okay, but it's – what you say is that the 7.7 is included in the corporate costs line of your EBIT table so to say.

Mikko Puolakka: It's above the operating profit, yes.

Antti Suttelin: All right, and then finally on Hiab's sales, now that I look your order book, it's 5% negative year over year. It was still positive at the end of Q1. Should this mean that we should actually expect a negative sales growth for the remainder of this year?

Mika Vehviläinen: I'm not, I don't think so. I mean, everyone has to remember the orders are still up year-on-year but as I said, what happened is that sort of especially the Polish factory is now really getting into the sort of role in that one. We've been eating up into our order backlog and our lead times have gone down from sort of 7-8 weeks down to 5 weeks, and that's where the surge of deliveries comes.

Antti Suttelin: Okay, and yes, what I was asking is that the order book was down 5% year over year, and you wouldn't take this an indication that sales for the second half would be…?

Mika Vehviläinen: Sorry, I missed your question a little bit. Yes, the Hiab order book always has some – we land every now and then these larger governmental orders in there, usually defence orders, and we – I'm looking here a little bit at Eeva and Mikko – I don't think we have had any this year at the moment. So that's probably where the difference comes at the moment. We had some of those – we actually had two, I think, fairly major deals last year. We had the Indian deal and then we had the one with Rheinmetall MAN as well, and those were both in order books and obviously we are now starting to eat into these ones and we haven't got any large-scale defence orders this year.

Antti Suttelin: Okay, thank you very much.

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

Tom Skogman: Thank you, I have a couple of questions. I would like to start with asking about Hiab where you have closed down operations in Sweden. Were there still some operating costs booked as kind of normal costs there so actually the performance was even better, or are there no costs from that any more?

Mikko Puolakka: There are no costs related to Swedish production any more in this year's numbers.

Tom Skogman: Thank you, and then in shipbuilding we have seen that [unclear] has decided to see this as an opportunity, this massive downturn, and you start to have a decent balance sheet as well. Are you more also looking into acquisition opportunities in the shipbuilding industry?

Mika Vehviläinen: We are looking at some smaller acquisitions. The thing is that we obviously are, our focus very much still remains in the cargo handling part of the marine shipping, and we are already quite a gorilla, if I use that wording, in that one so there are very few, if any, large-scale opportunities for us but we are looking at potentially sort of enhancing our product line with certain technology and smaller acquisitions at this stage.

Tom Skogman: And then I have to ask about these internal costs again. I mean, sorry for keeping on this but it's quite a big number and I have to ask why, why do you book these big losses here now? And a bit what Manu was asking earlier, is this stemming from any write-down or should we expect that these associated companies have some exposure to shipbuilding and that losses might even accelerate in the coming quarters and that we should be scared of larger negative numbers on this line in the next quarters?

Mikko Puolakka: These are related to – I guess we can, we have also said which are the joint ventures, so this is the Rainbow Heavy Metal Industries in China, it's a publicly listed company so you can also check from their annual and interim reports, the financial performance.

Mika Vehviläinen: Maybe I can help on that one. So RHI, if you look at their reporting, they actually had a fairly massive write-off in connection with Q1, if I – Q2. Q4, sorry. Q4, and obviously as an associated company, we had to sort of book the relative part of that one. But it is a one-off type of write-off for them and related to some of the assets they had in the house. Rainbow Heavy is slightly or somewhat associated with the marine industry in terms of they are actually delivering components and parts for the equipment manufacturers such as ourselves as well, but they also engage in some other areas as well. But also from their results point of view, this was a one-time fairly massive – in their scale, fairly massive write-off they had to do and that obviously sort of came partly down to our books then as well.

Tom Skogman: Okay, thank you.

Operator: Thank you. We will take our next question from Philip Saliba from HSBC. Please go ahead, your line is open.

Philip Saliba: Hi, Philip here, thank you very much. could you maybe give an idea on how the R&D spending will develop in the next quarters and also in the year to come, the same then also for capex, and also maybe give an idea on the capex that we have seen this year, what has been – what have been spent on and also when we should expect the ramp-up? Then in terms of Hiab, you've introduced new Loglift cranes. Could you give an idea on how your competitive position looks like in the forestry business and how much further potential you see to grow this further? And in terms of regions, an idea on how you see the Southeast Asian market and also the South American market, do you see a troughing there and sort of a recovery? Thank you.

Mika Vehviläinen: Thank you, quite a few questions. Let's see if we can capture. Maybe I'll start with R&D and Mikko takes care of the capex, and I can then talk about the Hiab Loglift, forestry and then sort of the other regions as well.

So if I start with R&D, we still spend – our strategy very much is that we want to kind of outspend and outrun our competition. By doing that one, we are able to turn our products more competitive, so we are trading fixed cost into the operating margin and then obviously plan to also bring new products faster into the market than our competitor with the more competitive cost point as well. Obviously, one-offs need to be careful to see what the market development is, but at this stage, for this year, we still anticipate that R&D spending acceleration to happen in line with what you have seen so far for the next year. We then obviously will need to see that differently but very clearly, we have seen that R&D spending to pay off in terms of operating margin and revenue development as well.

Mikko, on the capex side?

Mikko Puolakka: Yes, if we first look the capex year to date, so the capex excluding acquisitions and customer financing was €16 million and the customer financing was €18 million. And then if we look full year capex guidance, that would be roughly €75 million. There is also a depreciation of €80 million, so this €75 million includes also the customer finance.

Mika Vehviläinen: On your question on Hiab Loglift, yes, we are very excited, I'm very excited about what we've been doing. Again, one sign of the R&D spending paying off. So the new generation products have new control systems that certainly improve kind of the operational performance. One very exciting feature that the product now has is this so-called HiVision concept that actually the crane is equipped with the cameras and the operator is actually able to operate the crane virtually, for example from the truck cabin. So in terms of the safety, convenience and performance, that's a world-class sort of revolutionary idea in terms of the truck crane operation and has got an excellent, I think, reception from the market. So overall, obviously our position in forestry crane has been a little bit a sad story in the past couple of years where we have lost our position and we certainly are optimistic that with the new generation products, we are going to be more competitive in that marketplace as well.

When it comes to your question about South America, it's been a very difficult market I think across the board really so far, at least I'm not aware of seeing any particular recovery at this stage. In Southeast Asia actually, it has been relatively okay for us. I mean, and China has slowed down in some of the areas but we've seen that market development, at least in our solutions side, in Southeast Asia to remain relatively healthy.

Philip Saliba: Okay, thank you.

Mika Vehviläinen: Thank you.

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

Manu Rimpelä: Thank you, just a quick follow-up question. Can you just say in MacGregor, are you taking on deliveries for MacGregor from the ships that were ordered at the end of the last year or are we starting to see already you taking on deliveries from the ships that have been ordered during this year in the second quarter?

Mika Vehviläinen: A little bit both, and I mean the order lead times vary, vary quite a bit. With the strong slowdown now and obviously more shipyard capacity coming available, I would expect that the, actually, the lead times would shorten. So from the ship order to our equipment order, one would expect shorter lead times when there is actually more capacity available. So I can’t be particularly precise but obviously we are still taking orders from the end of last year but we are also already booking orders from the ships ordered this year.

Manu Rimpelä: If I may tempt you, going into the third quarter, are you kind of starting – are you seeing that the momentum is still continuing downwards, or how do you think about the order intake during the second half of the year for MacGregor?

Mika Vehviläinen: I think I would not expect a drastic movement one way of the direction but the market overall is still pretty weak.

Manu Rimpelä: Okay, thank you.

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

Leena Lie: If there are no questions here in the room, I would like to say thank you, everybody for your active participation and wish you all a nice summer. Thank you.