

# FINAL TRANSCRIPT

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**CGCBV.HE - Q3 2009 Cargotec Corporation Earnings Conference Call**

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Oct. 22. 2009 / 1:00PM, CGCBV.HE - Q3 2009 Cargotec Corporation Earnings Conference Call

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## PRESENTATION

**Operator**

Welcome to the Cargotec Corporation Quarter Three Results 2009 Review Conference Call. My name is Sarah, and I will be your coordinator for today's conference. For the duration of the call, you will be on listen-only, however at the end of the call, you will have the opportunity to ask questions. (Operator Instructions).

I'm now handing you over to Paula Liimatta to begin today's conference. Thank you.

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**Paula Liimatta** - *Cargotec Corporation - IR Manager*

Good afternoon, everyone. Welcome to listen to Cargotec Third Quarter Results. We have live audience here in Helsinki, and also people listening to the call on phone lines. We will start with the presentation by our President and CEO, Mikael Makinen. And after the presentation, we have time to take your questions. Before the questions, please state your name and company to benefit the people on the phone lines.

But let's start with the presentation. Mikael, please.

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Oct. 22, 2009 / 1:00PM, CGCBV.HE - Q3 2009 Cargotec Corporation Earnings Conference Call

**Mikael Makinen** - *Cargotec Corporation - President and CEO*

Thank you and welcome, everybody. (inaudible - technical difficulty)

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**Operator**

Ladies and gentlemen, thank you for your patience. Your call will continue shortly. Ladies and gentlemen, please hold the line, the call will continue shortly.

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**Paula Liimatta** - *Cargotec Corporation - IR Manager*

We can continue now.

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**Mikael Makinen** - *Cargotec Corporation - President and CEO*

Okay, so we had a problem with the lines. Let's continue, slide number three, key issues. The market is challenging. I mean, I think everybody knows who follows this type of industry. It has been challenging, it is still challenging. I'll come back to the different business areas a bit later.

MacGregor's profitability has improved further. MacGregor is, from that point of view, in a very good shape. They have a good order book, I will come back to that. They have different type of products, good projects. I'll come back to that a bit later.

Cash flow continued to be healthy, very glad about that. Proceeded with the investment in Poland. We have got the first cranes, the first 75 cranes manufactured in our rented premises in Poland. So, that's proceeding exactly according to our -- okay, we are a month ahead of the schedule, so very happy with that as well.

The big issue is of course the merger of Hiab and Kalmar, the business areas. That's also on-track. I'll give you a few notes about that a bit later. We have of course reduced a number of people, huge reduction, more than 2,000 people have left the company in 2009.

Key figures, orders received, maybe better that I commented in -- when I talked about the different business areas, but of course, I think that if you look at the three businesses, MacGregor, take into consideration that the situation, not so many ships have been ordered. I think that there was a good order intake for them.

Same with Hiab, which has stabilized on a low level, but stabilized. Kalmar, we would of course have liked to have a number of big projects during the beginning of this year or quarter three, which did not materialized, they have been postponed. So, they will of course come one day. Sales, roughly inline with our estimates, operating profits roughly inline with what we have -- what we had estimated as well. Let's come back to that also a bit later.

Cash flow, as I said, good, we are very happy with the progress on the cash flow side. I must say that we have been working very, very much on the cash flow side. Work in progress in MacGregor is still significant, but they have a strong order book, so that's natural. Receivables down, I was a bit afraid at the beginning of the year, what happens with the receivables in this kind of a situation, but we have been able to manage it fairly well. That means that the networking capital declined to EUR179 million from EUR324 million one year ago.

This is --

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Oct. 22, 2009 / 1:00PM, CGCBV.HE - Q3 2009 Cargotec Corporation Earnings Conference Call

**Paula Liimatta** - Cargotec Corporation - IR Manager

For some reason, the graphs are missing from year (inaudible - microphone inaccessible).

**Mikael Makinen** - Cargotec Corporation - President and CEO

Okay. Slide number six, I don't know why, but the graphs are missing, but the text is there. That's why it didn't look too familiar to me. Hiab, the market is weak, to stabilize I feel that we have bottomed out on the market in Hiab. We have seen some positive signs in the US markets, but with this very low market, it's also very competitive.

Seasonality impact Q3, as we have always had every year. We have the two holiday months. They affect Hiab more than other businesses. Positive is that the very big cost saving exercise that we have had in Hiab starts to show results now. Now, we can see -- if we would have the graph, we would see that there is a -- it's a positive trend.

And I think this is very, very important in this kind of market situation. There is not very much we can do about the market, but we can do about our cost competitiveness and our fixed costs. Question about have we lost market share have been -- I would not say, I mean it's very difficult to estimate the market shares, but as far as we have been estimating it, now and the previous years, we have not lost market share. So, the positive thing is that the cost cutting in Hiab gives results. The negative thing is that the market is still weak.

Kalmar, no graphs again, so maybe I'll just take my own copy here. Port customers' demand for equipment in Q3 was lower than we anticipated after Q2. It's really an area where we see the postponement and postponement of our customer decisions. They have not cancelled the project, but they are postponing them, and it's a latency mode in the Kalmar segment.

Of course, the other part of Kalmar, which is the industrial material handling, that's very much dependent on the output of heavy industry, and that's of course at a low level, so it affects Kalmar as well. That will of course one day affect the volumes as well, but here we have started a big program of lowering the cost and there is a few months delay from Hiab, where we started it first.

We could not do it in the whole organization. We had to start with Hiab, then comes Kalmar. And that's now -- most of the actions are announced and should bring results in the coming quarters. The lead time in Kalmar is six to nine months. The main driver, container volumes, and they have not been at a very high level at the moment.

MacGregor, positive signs in offshore. That's an area where we really see very interesting projects, very interesting prospects for our type of business, which is extremely deep water production and exploration. Otherwise, you know that ships are not ordered at this stage, only small quantities for special ships. Luckily, the special ships give more revenue for us per ship than the standard ships.

And that's why you have seen still a fairly good order intake during Q3. Operating margins are improving in MacGregor. MacGregor is from that point of view, operational leverage very low. We have been able to drive up the business to very good operating margin in this type of business. And the whole MacGregor machinery is in a very good shape today.

You will see a bit later that there are reductions in MacGregor, that we have had to lay off some people. The cycle is so long in MacGregor, so that we can really work on -- we know, we have ample time of doing. We don't need to do any drastic cost cutting, but we can see what will happen next year, what will happen the year after that, and adjust our capacity accordingly. And then, you have to remember that about half of the engineering resources in MacGregor are already outsourced, which gives us a capacity that we can move on a day's notice.

Order cancellation, the big question about order cancellations. We had EUR35 million in Q3, EUR125 million in total for the first nine months. A very low figure, and that's some of our -- some of the companies in the same type of industry show exactly the

Oct. 22, 2009 / 1:00PM, CGCBV.HE - Q3 2009 Cargotec Corporation Earnings Conference Call

same. If you, for example, had a look at the [Vacular] figures today, they show the same kind of trend, that there is no big, huge cancellation happening at the moment, which should give us a fairly good base, even if we would be conservative for next year.

Lead time onto two years, ships structures being ordered on a -- put a very long lead time. So, this is the least of my concern is MacGregor. I mean, I say that it's well, well -- well, well performing according to my expectations.

Service, service was down as well during quarter three. Of course, if our customers don't use their lorries, their cranes, there's not very much to service. Service represents now 28% of our sales. We think that there is room for growth in the service business. We see that our customers have now used all their own spare part stock, taking it to a very low level. De-stocking has to happen now in the coming quarters.

Now, it's getting really -- we cannot get -- is it impossible to get there?

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**Paula Liimatta** - Cargotec Corporation - IR Manager

It's the beamer maybe. [It's the headwinds]. No, no.

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**Mikael Makinen** - Cargotec Corporation - President and CEO

Sorry, we have a problem here still with the -- some technical problems here. While we wait for them, if you look at the slide number 10, I think it's worth mentioning that the distribution of our sales is of course much higher partly as it is in Asia. That's the right hand slide. Okay, okay, so you will follow it on your paper copies and on the web. You should have the right, correct slides. Okay, yes?

So, slide number 10. I was saying that the Asia Pacific part is now one third of our -- 35% of our sales, and there has not been any decline in the sales in Asia. So, I think that that's very good. This starts to be close to the type of geographical distribution that I was talking about already two years ago. Now, we just have to see that when the market picks up, that we have the same development in all geographical areas.

On the left hand side, sales by business area, of course that's -- the long MacGregor order book means that the share of MacGregor is growing, and you have a -- it's going fastest down in Hiab area with shortest order book, so nothing dramatic there.

Next slide, financing structure, nothing dramatic, actually nothing new from Q2. I just wanted to bring this up and say that this is neither my concern is that we have liquidity. The repayment schedule is the big amounts starts to come in 2012. So, nothing to worry about at this stage.

Personnel are more often asked, because we have so many announcements coming and being published, that people are a bit concerned about how do they add up those figures? So, that's why we tried on slide number 12 to give you an overview of the restructuring initiatives, both the one that we initiated in 2008, that affects 2009, and also we have initiated in 2009. So, people affected 2,200, and 1,100 from the latter program have left by end of September. So, it's a fairly, fairly big change in our organization.

And I must say that now we start to be on the right level, which -- on the next slide. Next slide, the cost cutting, what we are trying to do here is to -- we have also got comments about what do you mean by this EUR25 million, On the Move, EUR80 million to EUR100 million, EUR150 million saving? What does it mean?

What we tried to tell you here is that -- if we can get the slides. Just see this here -- no, no. Okay, never mind. We have adjusted the organization. You have to remember, we started with On the Move program, then the market went down, because we have to do restructuring on -- further restructuring on the supply side. We have to do restructuring on the front line, which means

Oct. 22, 2009 / 1:00PM, CGCBV.HE - Q3 2009 Cargotec Corporation Earnings Conference Call

our network, and last but not least, we have to put together Kalmar and Hiab into what we call industrial and terminal business area.

All this means that we have been able to lower our fixed costs by EUR150 million. How does this go hand in hand with the EUR80 million to EUR100 million that we have said? This EUR80 million to EUR100 million -- about half of this EUR80 million to EUR100 million is volume related, and not included in this EUR150 million. About half is again included in the EUR150 million.

So, I have seen some analysis where it has been questioned that can Cargo -- that how much of this EUR150 million is dependant on the volume? And the answer is nothing at all. This EUR100 million is lowering the fixed cost, and then the other half of this EUR80 million to EUR100 million, which means EUR40 million to EUR50 million, is volume dependent, and was built up at that stage when the volume was at 2007, 2008 level. So, that should give you a fairly good picture, but remember that the EUR150 million is really taking down the cost, and is not volume related.

In -- the supply development is of course closing factories, new factory in Poland, changing the role and scope of factories in Tampere, in China and so on. Can they see -- can -- no. Okay, then we go to -- we still have some technical problems here in Helsinki, but let's go to slide number 14.

Slide number 14, the message on slide number 14 is that these are the building blocks. Now, we have built the company, so that we have a support, we have supply, we have solutions, and we have the frontline. So, a very clear way of working, and we have divided that into different building blocks. The reason why I have -- okay, no.

There is -- yes, no, thank you. The reason why I have also added the names here is that now we have changed this from what the company was into a much more international team with new members. The latest addition is product solutions, Unto Ahtola, he came from Sandvik, and starting on the second of November with us.

We have also given more responsibility to the area, Harald de Graaf in EMEA, Ken Loh in Asia, and Lennart Brelin in America. So, again, our main focus has been the reduction of cost, and now we go into the next phase, which is more focusing on frontline, and more focusing on sales.

So, I'm very happy with the organizations, with the team we have in place now, and I'm quite positive about that we can with this team, and the structure that we have now. Take market shares and we -- be fairly aggressive in the market. The management focus right now, the management focus that you have seen the previous quarter have always been about cost cutting, how can we reduce costs and so on, and it's still.

Now, we execute the structural changes, but on this slide I also want to bring up slide number 15, the increased focus on customer interfaces. That's why we have changed the organization to go more into regional sales, go after projects, go after sales, and to have a more focused growth potential in the emerging markets, to have more emphasis on the emerging markets.

You have to remember that historically between 50% and 60% of our revenue has come from Europe, and I don't think that Europe in the long run will be 50% and 60% of our revenue. Sure, this is another area where we're focusing very much on the service offering, of course improving the spare parts logistics. And then, the new area is the offshore service growth. Now, we have an install base, which is big enough for us to go after the service business in offshore as well.

Outlook, no change to what we have said before, the market is still weak. We have estimated that the sales will decline about 25% from previous year's levels. We have estimated about EUR70 million will be booked in the productivity improvement restructuring during 2009. We have booked EUR37 million of that EUR70 million during the first three quarters.

We will be able to book the rest EUR33 million during the coming months, negotiations are on the way. I would say that the biggest part of it will anyhow be booked 2009. Operating results after restructuring will be negative, as we have said -- we said on the 6th of October.



Oct. 22, 2009 / 1:00PM, CGCBV.HE - Q3 2009 Cargotec Corporation Earnings Conference Call

A few other things. Tampere -- we have announced today that Tampere will be transformed into a technology center for us. What does that mean? That means that certain types of environmental technology of new types of components, new types of products, will be developed in Tampere, [probably much] will be made in Tampere. The first equipments, and the very, very tailor made ones will be in Tampere, and the so called mass production, or those products that are produced in bigger volumes, they will move into our factories that are closer, closer to our customers.

Which in this case means, Americas, Europe, which means mainly Poland and in Asia. So, that's a fairly big change that has just came from Tampere, and I must say that although it means some reduction of people in Tampere, they were still very enthusiastic because that gives them something, a real area to focus on in the future as well.

Okay, let's see if I lost something. I lost my concentration when I was looking at the slides, but never mind. Let's take the questions if I remember, and I'll come back to that. So, that's where we are.

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## QUESTIONS AND ANSWERS

**Paula Liimatta** - *Cargotec Corporation - IR Manager*

Okay, let's start with the questions here in Helsinki.

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### Unidentified Audience Member

Okay, (inaudible) Bank. I would have two questions. First, could you give us an update on the EUR150 million savings, the timeline of those savings, when should those be expected? And another one would be more a housekeeping question regarding MacGregor's current order backlog. I mean, the distribution of that between say merchant vessels offshore, and then special/other vessels if that's possible.

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**Mikael Makinen** - *Cargotec Corporation - President and CEO*

Yes, I mean if you take the MacGregor question, I don't have the split. Do you have Eeva or Kari? I think it's -- well, normally, offshore has been about one quarter of the sales, 25% offshore, and then it could be maybe 50-50 between special vessels and normal vessels.

Then, your first question was related to the EUR150 million. As we have said, you saw that now by the year end, we will have more than 2,000 people who have left the company. So, I mean the biggest part of it is starting to kick-in right now. You have already seen in high-up that it has an effect on the result. So, fairly soon we should see the rest of the EUR150 million coming in. We have done all those. It's nothing that we need to do anymore for that. We will -- that's how we have calculated, that's our estimate, that it will be in full 2010, yes.

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**Miikka Kinnunen** - *Carnegie - Analyst*

Miikka Kinnunen from Carnegie. On Hiab's EBIT, small improvement there despite the lower sales quarter-on-quarter, talking about the lower input costs also having a positive effect there. Can you somehow quantify how much in euro terms have delegate balance between output and input prices boosted the profits of Hiab mainly, perhaps then correspondingly in Kalmar?

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**Mikael Makinen** - *Cargotec Corporation - President and CEO*

Kalmar's -- do you have, Eeva?

Oct. 22, 2009 / 1:00PM, CGCBV.HE - Q3 2009 Cargotec Corporation Earnings Conference Call

**Eeva Sipila** - Cargotec Corporation - CFO

Yes, this is Eeva Sipila. The lower input prices are one factor in giving us a better gross margin, but of course the bigger factor is the actions taken in supply, because at the same time we do have the -- in Hiab's case, the prices -- the general price level decreasing in some of the markets for competitive reasons.

**Mikael Makinen** - Cargotec Corporation - President and CEO

So, what we are trying to say here is that yes, there is a lower input cost, but the market is very competitive. So, the bigger impact is in our own actions. What else could we say about that? No, that's exactly how it is. And the full impact of the lower sourcing cost will of course start to kick in only now because the volume is so low that we have still been eating of old contracts, old inventory where you have components of the very much higher price.

**Lauri Leino** - ICECAPITAL - Analyst

Okay, Lauri Leino from ICECAPITAL here. Just one question regarding MacGregor and EBIT margin for this quarter. It showed a hefty 10%, do you think this is sustainable, and could you elaborate a bit more on the reasons behind this margin increase?

**Mikael Makinen** - Cargotec Corporation - President and CEO

I hope it's sustainable. If we are on this volumes, it should be sustainable. I don't see a reason why it shouldn't be. Hefty increase, I don't know if it's a hefty increase. Now, we start to deliver those orders that were booked during the fairly good time, when you could have good prices as well. It's as simple as that.

**Tom Skogman** - Handelsbanken - Analyst

Yes, this is Tom Skogman from Handelsbanken. You have closed now four factories, or at least you have announced to close four factories. If you look at from the start of 2011, how much will there be like left to do? Do you have any small un-efficient factors left from the start of 2011? That is the first question. I'll take the second one later.

**Mikael Makinen** - Cargotec Corporation - President and CEO

Yes. Okay, but do we have -- of course, I mean we have factories left of course, old factories so to say, not the only new one. But of course, we are improving them at the same time. So, they are also in a very different shape by then. Do we need to close more factories? Depends on the market, I mean this is more an evolution than a revolution. We have done the revolution, now comes the evolution. So, if we look three, four years ahead from now, I really don't know, but the basic structure is now sound. Less factories in Northern Europe, concentrating on certain products.

**Tom Skogman** - Handelsbanken - Analyst

It should be like seen as a normal year from -- if the demand stabilizes at some kind of a healthy level, not like --

**Mikael Makinen** - Cargotec Corporation - President and CEO

Yes, I mean the company cannot continue to do restructuring year after year. That's why we try to do it very, very quickly now. That's why we have done all these measures fairly quickly.

Oct. 22, 2009 / 1:00PM, CGCBV.HE - Q3 2009 Cargotec Corporation Earnings Conference Call

**Tom Skogman** - Handelsbanken - Analyst

But then, on the -- just a more general kind of question regarding the top line demand. How overheated do you now in risk perspective see the 2007 and 2008 years? I mean, what kind of volumes do you plan for yourself when we look at 2011 and 2012 after this financial crisis has been over? How overheated both things are because people believe somewhat in globalization and so on, I mean what do you for yourself think about that?

**Mikael Makinen** - Cargotec Corporation - President and CEO

Okay, if we look at -- I would say that we -- let's say, if we start with MacGregor, MacGregor of course, it was very much overheated, and -- but what's happened here in between was that so many ships were postponed. So, actually the big, huge overheated boom that should have happened 2009 and first half of 2010 did not happen. All those ships are postponed luckily, because it would really have been a drastic go down, which means that there will be better times for a longer period.

And we are also in some new segments like offshore. So, I don't see MacGregor as -- of course, it will go down, but it will not go to half of it or something like this. If we then go to Kalmar, I must say that yes, it was overheated, but on the other hand, there is a huge, huge need for structural changes in the big harbors, big ports, material handling, material handling inland.

So again, I think that as I've said many times about Hiab and Kalmar, there will be two or three big players in the market, and they will take market share from the rest. So, yes, it was overheated, but I don't -- in my opinion, we have a big potential to go back to when it normalizes to figures close to where we were by new -- and so, I mean the same goes for Hiab, I was talking about Kalmar, so. So, I see a big, big potential, yes, for the big players in the market.

That there is a huge change, and that's why we have been trying to be ready for a change. This market does not go back in Europe. It grows in Asia, it grows in South America, it grows in India, that's where we will see the future markets.

**Jari Harjunpaa** - Ohman Securities - Analyst

Jari Harjunpaa, Ohman. Just to elaborate a little bit on this future demand, and if we are now looking at the shift today here and all that, so that those markets are much more important in coming years. So, how do you see your competitive edge there, there will be emerging new competitors, that have very, very low cost base, and probably at the moment they have also a credit portfolio, which is very suitable for those markets. So, how do you see your competitiveness in those markets?

**Mikael Makinen** - Cargotec Corporation - President and CEO

That's why we have to take way this EUR150 million of the cost to be more competitive. If you then talk about products, I don't think that MacGregor has any problem in being competitive. If you look at Kalmar and Hiab, we are working very much on developing entry level products as well to be competitive in that market.

Entry level for us means simpler products than what we have today, but not what you are talking about those competitors with extremely simple products. We can never compete with those. But actually when the market is growing, there is more and more demand for more sophisticated products. So, we will always be on this more sophisticated -- we will never have this -- the first grain that the Chinese farmer buys, no. That's beyond our knowledge, but still on the mid-range, more than enough market for us.

Oct. 22. 2009 / 1:00PM, CGCBV.HE - Q3 2009 Cargotec Corporation Earnings Conference Call

**Jari Harjunpaa** - *Ohman Securities - Analyst*

And then, just to continue a little bit, how about in acquisition side? We have seen that some of the competitors, they are doing acquisitions quite actively actually in these market conditions. So, is there any worries that they are actually gaining pretty much market share through those acquisitions, and could be in a better position to actually utilize this type of a slowdown?

**Mikael Makinen** - *Cargotec Corporation - President and CEO*

Big acquisitions from the competitors, can you be more precise? I mean, it's --

**Jari Harjunpaa** - *Ohman Securities - Analyst*

Well, probably they haven't been that big, but anyway they have been actually acquiring something like EUR20 million from there and EUR20 million from there, but they have been active in that sense that they have done those. And you know, for example taking new positions, for example, in North America, and building their capabilities there, where they have been actually quite weak.

**Mikael Makinen** - *Cargotec Corporation - President and CEO*

Yes, then I know what you're talking about. Those small platform acquisitions, you have to remember that we made 26, 28 of them a few years back, to have the market position there. So, no, I don't see -- I'm not worried about that, no. But of course, we are following [Emada] and see if they are acquisition -- possible acquisition targets, yes. That's a normal part of our business.

**Tom Skogman** - *Handelsbanken - Analyst*

Yes, this is Tom Skogman from Handelsbanken again. On the subject of replacement sales, the average lifetime is something between seven to 10 years to my understanding.

**Mikael Makinen** - *Cargotec Corporation - President and CEO*

Yes.

**Tom Skogman** - *Handelsbanken - Analyst*

And now, we have had depressed order levels for one year or so, and I think this should start Hiab, but when do you really expect to see growth year-on-year in Hiab orders, then given just this kind of a -- that the equipment becomes so old, and is it really so that you can't use this equipment more than the whole 10 years? Has the quality changed or so that you could use them 15 years this time, instead of 10 years historically?

**Mikael Makinen** - *Cargotec Corporation - President and CEO*

In theory you could use them, but of course there are many other reasons for replacement. It's of course new emission rules coming in, if you talk about Hiab, which means that the truck owners want to have a new truck. There are more efficient equipments, more efficient trucks and so on. So, I think that's balancing this. How long can you use our equipment? At least nothing has happened now when they have used it one, 1.5 year longer than earlier.

Oct. 22. 2009 / 1:00PM, CGCBV.HE - Q3 2009 Cargotec Corporation Earnings Conference Call

So, I think it's fair to think about Hiab's half 2008, half 2009 as a lost year. It's not the demand that will come, it's just a lost year. Everybody used their equipment one year longer. But you cannot use it five years more than it, but you can use it one, you can use it maybe two years, I don't know. When will it start? I don't know. Of course, if you look at the truck manufacturers' estimates, they estimate that order intake will take -- go up towards the end of the year, beginning of next year. We'll see.

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**Paula Liimatta** - Cargotec Corporation - IR Manager

Okay, I think we are ready to take the questions from people on the phone line.

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**Operator**

(Operator Instructions)

We have a question from the line of Christer Fredriksson from ABG. Please go ahead with your question.

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**Christer Fredriksson** - ABG Sundal Collier - Analyst

Yes, hi, Christer Fredriksson from ABG. Firstly, if you could give some more color on the cost savings program that you have? How much -- do you have a number on how much savings you got in the third quarter, especially for Hiab? It would give some more clarification on what we can expect for the future.

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**Mikael Makinen** - Cargotec Corporation - President and CEO

We haven't -- I mean -- we don't have a -- or we have a number, but we haven't given out the number for that, but as you can see it starts to affect or give a positive impact on the results already, but you have seen that the number of people that have left, the number of places that have been closed, it's happening right now exactly. Or a very big impact yet.

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**Christer Fredriksson** - ABG Sundal Collier - Analyst

Okay. When you talked about the pre -- previously had a guidance of having a small profit in 2009, when you changed that after the restructuring charge of EUR20 million. If you wouldn't have done this restructuring, would you still keep the same guidance, which means a small profit for the full year?

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**Mikael Makinen** - Cargotec Corporation - President and CEO

I mean, we have not changed the guidance.

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**Christer Fredriksson** - ABG Sundal Collier - Analyst

No, no, on the 6th of October, when you did the restructuring.

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**Mikael Makinen** - Cargotec Corporation - President and CEO

Okay. From that point of view, yes.

Oct. 22. 2009 / 1:00PM, CGCBV.HE - Q3 2009 Cargotec Corporation Earnings Conference Call

**Christer Fredriksson** - *ABG Sundal Collier - Analyst*

Yes.

**Mikael Makinen** - *Cargotec Corporation - President and CEO*

So, that's the guidance that you have to live according to now.

**Christer Fredriksson** - *ABG Sundal Collier - Analyst*

So, if you exclude the EUR20 million you took back then, is the guidance unchanged or is it -- I mean do you still see the same earnings trend that you saw back then?

**Mikael Makinen** - *Cargotec Corporation - President and CEO*

We saw the same earning trends, but then you are very close to a break even point. Then, I mean, it's a question of a few deliveries that slip from next year to this year, or from this year to next year, or something that is delivered earlier as that already affects the results, so.

**Christer Fredriksson** - *ABG Sundal Collier - Analyst*

Okay, and then just finally, can you maybe talk a bit what you've seen in October?

**Mikael Makinen** - *Cargotec Corporation - President and CEO*

Sorry?

**Christer Fredriksson** - *ABG Sundal Collier - Analyst*

If you can talk about what you have seen in October in compared to Q3?

**Mikael Makinen** - *Cargotec Corporation - President and CEO*

What we have seen in October is fairly similar to what we have seen in Q3.

**Christer Fredriksson** - *ABG Sundal Collier - Analyst*

Okay, thank you very much.

**Mikael Makinen** - *Cargotec Corporation - President and CEO*

Thanks.

**Operator**

Next question comes from the line of Sebastian Ubert from UBS. Please go ahead.

Oct. 22, 2009 / 1:00PM, CGCBV.HE - Q3 2009 Cargotec Corporation Earnings Conference Call

**Sebastian Ubert** - UBS - Analyst

Yes, good afternoon ladies and gentlemen. I have got a few questions. I am a bit confused about the number of people affected by your various restructuring programs. With your Q2 results, you have spoken about 2,322 people. In the meantime, you have announced the additional 500, which ends up to some 2,820, and now you're talking about 3,160. Can you please remind me where I am missing that roughly 340 people? That is my first question.

And the second question is, while I like the idea of putting together Hiab and Kalmar, don't you see the risk that a joint sales force would put too much attention to higher margin and larger Kalmar products, rather than selling smaller Hiab products? That is my second question, thank you.

**Mikael Makinen** - Cargotec Corporation - President and CEO

Okay, if you take the first question Eeva, maybe you can run us through the figures of the books.

**Eeva Sipila** - Cargotec Corporation - CFO

Yes, today's estimate is of course the latest estimate, that is the most valid. The difference does not come from any one specific issue, but it is a result that we have had very many negotiations ongoing in various different countries on employee reductions and the outcome of those has head into east during the process, hence this new 3,160, there is certainly a share of increase in EMEA, but also very many other areas as well.

**Mikael Makinen** - Cargotec Corporation - President and CEO

The total is 3,160, and that includes the 500 as we announced on the 6th of October. Then other question was, no, I lost it?.

**Sebastian Ubert** - UBS - Analyst

I -- don't you feel --

**Mikael Makinen** - Cargotec Corporation - President and CEO

Hiab sales, yes, sorry. I think it's -- yes, that's a good, very good question because you have to remember that the business area consists of engineering, frontline, back office and the frontline and so on and so on, supply. So, we are not touching the single salesman. In most of the cases, the salesmen are selling Hiab products or Kalmar products, but their management, their back office out there in Germany for example, they have been combined, and the engineering has been combined.

So, the senior salesman, he is still selling as before, but he feels also responsible for, for example, a Hiab salesman is very often visiting customers where you have forklifts. So, he will at least remember, okay, we have this in our family. We offered that as well. So, no, we have to be -- we have been very carefully not to put together the salesmen, so that we would lose some sales. Actually, very few of these cuts have been on the real frontline, those people who are seeing the customers.

**Sebastian Ubert** - UBS - Analyst

Okay, thank you very much for clarifying this. I have a follow up question please on Kalmar. At the capital market day in September 2008, you have introduced the new scanning device, and you have estimated the market of roughly \$2 billion followed by 2011.

Oct. 22. 2009 / 1:00PM, CGCBV.HE - Q3 2009 Cargotec Corporation Earnings Conference Call

Is there any progress yet? I mean, you have installed the first scanning device as far as I know. Is there any follow up order so far to be seen or how is the development in that area?

**Mikael Makinen** - *Cargotec Corporation - President and CEO*

As you rightly said, we have not changed the estimate for the market size of the scanning devices. We are now in a testing phase. The first equipments have been delivered. They're approved by the coastguard. They are still in a testing phase. And the cost of the economic downturn, of course our customers are waiting, they are not ordering it yet, but by 2012, they have to have that equipment in place. So, no, it has not changed.

**Sebastian Ubert** - *UBS - Analyst*

And what about the competitive situation in that area?

**Mikael Makinen** - *Cargotec Corporation - President and CEO*

I don't know, do you know, does anyone know here? No, I don't think it has changed. I mean, we have the equipment. Of course, we will not be in a monopoly situation. One day, you will see the competitors with another type of products coming in. But if you want to scan it, which -- the most efficient way, which is through the spreader, then of course a competitor should contact us, because otherwise -- because we are a fairly big player on the spreader market in the world.

**Sebastian Ubert** - *UBS - Analyst*

Okay, thank you.

**Operator**

The next question comes from the line of Johan Eliason from Cheuvreux. Please go ahead.

**Johan Eliason** - *Cheuvreux - Analyst*

Hi, this is Johan Eliason, just a question coming back to Hiab. Obviously, the losses start to reduce and you have more cost cutting coming. Do you think -- I mean, we will never be able to see this, of course, but do you think you will be able to reach profitability just on the back of your cost cutting, or do you still need a demand improvement in Hiab to show profits again?

**Mikael Makinen** - *Cargotec Corporation - President and CEO*

I mean, with the hefty cost cutting, we are also -- of course we are lowering by far the breakeven point. So, the answer is yes, we should be profitable also with low volumes.

**Johan Eliason** - *Cheuvreux - Analyst*

Do you have kind of any indications for us on the breakeven point in this combined unit going forward of the cost cutting of course?

Oct. 22, 2009 / 1:00PM, CGCBV.HE - Q3 2009 Cargotec Corporation Earnings Conference Call

**Mikael Makinen** - *Cargotec Corporation - President and CEO*

Yes, yes we have, but that's an information that we have not given out, but yes of course it's based on a certain number, and on the new word. At the same time, of course, we have to remember that we are not trying to kill this company. We cannot do cost cutting to that extent that we are not competitive anymore, or we are not able to take full benefit of the upturn.

**Johan Eliason** - *Cheuvreux - Analyst*

Okay, that was my question, thank you.

**Operator**

The next question comes from the line of Antti Suttelin from Danske Markets. Please go ahead.

**Antti Suttelin** - *Danske Markets - Analyst*

Yes, hi, this is Antti from Danske Markets. You have previously indicated that during 2009, Cargotec is putting a lot of emphasis into releasing cash from inventories, rather than thinking so much about margins. Do you feel that the inventory levels are now getting into a comfort zone, so that you could actually start to focus more on margins? Thank you.

**Mikael Makinen** - *Cargotec Corporation - President and CEO*

Comfort -- I mean inventory level comfort zone, of course we still have to do high inventories, because you have to remember that we are also doing a huge restructuring of moving factories, which means that we have inventories in some cases in two places. So, the main focus is yes, on profitability, but I would not say that I'm totally happy with the inventory level yet, but in this transition period, this is what we have to live with.

**Antti Suttelin** - *Danske Markets - Analyst*

So, does this mean that we should continue to expect pressure on gross margins because of the desire to produce inventories?

**Mikael Makinen** - *Cargotec Corporation - President and CEO*

No, no.

**Antti Suttelin** - *Danske Markets - Analyst*

Okay, thank you.

**Operator**

Next question comes from the line of Sebastian Ubert from UBS. Please go ahead.

Oct. 22. 2009 / 1:00PM, CGCBV.HE - Q3 2009 Cargotec Corporation Earnings Conference Call

**Sebastian Ubert** - UBS - Analyst

Yes, one follow-up question please. On the order book of MacGregor, can you please remind us of the share which you expect to be delivered by the end of 2010? Thank you.

**Eeva Sipila** - Cargotec Corporation - CFO

Eeva Sipila. Of course, the -- what comes out of the order book next year is somewhat dependant on what happens on the cancellation and postponing scenario, but basically what we are looking at as of today based on the order book situation, we are looking at MacGregor volumes being roughly inline with what we will deliver this year.

**Sebastian Ubert** - UBS - Analyst

Okay, so basically set year-over-year. And with regards to that 20% petrol cancellation risk, is that more the backend, I mean more related to volumes in 2011 and thereafter?

**Eeva Sipila** - Cargotec Corporation - CFO

That cancellation risk is made bottom, bottom up, so it's a project and a customer and shipyard dependant. But obviously, the longer the ship has been under work, and the more capital there is tied, the more expensive and less -- more unlikely it becomes that they are cancelled. So, in that sense, the latter part of the order book, you could argue is at somewhat more risk. But I would not generalize using just the time table. It is a very complex equation, obviously of many factors still ongoing in the market.

**Sebastian Ubert** - UBS - Analyst

Okay, thanks.

**Mikael Makinen** - Cargotec Corporation - President and CEO

Hundreds of ships, hundreds of shipyards owners and so on. So, it's fairly complex. But as general, as Eeva said, towards the end of the order book, the risk is of course bigger, because the ship has not been -- the construction has not started yet.

**Sebastian Ubert** - UBS - Analyst

Okay, thank you very much.

**Operator**

We currently have no questions from the telephone line. (Operator Instructions). We have no further questions from the telephone, thank you.

**Paula Liimatta** - Cargotec Corporation - IR Manager

Do you have anymore questions here in Helsinki? No, anyone? If not, I thank you all and wish you a good, good day. Thank you.

Oct. 22, 2009 / 1:00PM, CGCBV.HE - Q3 2009 Cargotec Corporation Earnings Conference Call

**Operator**

Thank you for attending today's conference. You may now replace your handset.

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