

Deco Media
Thursday, 29th April 2010
09:00 Hrs UK time
Chaired by Paula Liimatta

Paula Liimatta

Good morning for everyone, and welcome to listen to Cargotec's Q1 2010 earnings presentation.

Today we have a small live audience here in Helsinki, and quite a few people listening to the presentation on the phone line.

We will start with a presentation by our President and CEO, Mikael Mäkinen, and after that we will have time for your questions.

When we start the Q&A session, please raise your hand, here in Helsinki, and ask for a microphone, and state your name and company before asking a question. After the questions from the people here in Helsinki we will take the questions from the people on the phone lines.

But now we are ready to start with the presentation, Mikael, please?

Mikael Mäkinen

Thank you. Welcome everybody to the Q1 presentation. As usual, I will go through the, I would say, almost standard presentation, in the next 20 minutes, and after that we can have questions and comments.

Highlights during the first quarter, I would say, we have some positive signs on the business environment. You have heard lately from other companies, from the market, mixed signals. Of course it's a mixed bag of signals, but I would still say that in our lines of business it's more on a positive side than on a negative side. The best proof is of course the order intake that was 31% up, year on year, and 29% up on quarter by quarter. Very good achievement; I will go through that a bit more in detail during my presentation.

Sales declined due to low order book. That's something that maybe we could have guided already last year that the first quarter, from that point of view, is the weakest one. We had at Industrial and Terminal, a small, low order book. That means that the first months they didn't have that big capacity at our factories.

On the other hand, we also have to remember that then when we started to ramp up it during the latter part of the first quarter we had some challenges in the ramp up. Of course all our subcontractors, they had emptied their stocks. We had longer delivery time on some of the components than we had expected. We of course had a low utilisation rate. All of this had an impact on the Industrial and Terminal during quarter one.

On the other hand, we have to remember that the profitability at Marine and also the order intake in Marine was very, very good, and that's something that we have now built the Marine organisation, the Marine business, into a very, very profitable business. I will come back to that a bit later again.

Restructuring. I've also said here in the highlights that the restructuring is concluded. It impacted 3,200 people, created an annual saving of 150 million. So a very, very big job. Well done by the organisation. It took us four years. First we analysed the market, analysed the company. We got some critics, both from the market and for all, whether it's owners or the market. On the other hand, we were quite confident that we know what we do. We know how we change this company from a multi-business company into one Cargotec, and we also knew at that time that it takes time.

Of course, during our journey the market changed substantially. We had the recession, we had to restructure even more, but we closed those factories, we changed the production the way we had planned from the very beginning.

The market environment. As I said earlier, we see some recovery. We see some recovery in the load handling equipment market, both in Europe, in the US, in Asia, hasn't been that much down. That's all type of equipment in the Industrial that are related to... or let's say, not those that are related to construction, but the rest, which is distribution, a different type of... Yes, I could say everything except construction related.

On the container handling equipment side, still a quiet market. We see projects, the number of new projects is much, much higher than it was, for example the last quarter, or the quarters before that, but on the other hand, projects had to turn into orders, into cash flow, before they have an impact on our company. But also there we see interesting signs.

Marine handling. Marine cargo handling equipment. Bulk and off shore, very, very interesting markets at the moment. And actually, the order intake in Marine was of course higher than even we expected it to be. I'll come back to that a bit later.

Service market was quiet, both in Marine, Industrial and Terminal. Towards the end of quarter one we saw some recovery, especially on the spare parts side, but surprisingly low, still

Key figures. I won't go into all the details of the key figures. You know them. You have analysed them. I will answer questions then later. But also here, order book is still on an acceptable level. As I said, order intake on a very, very good level. Operating profit, 15.8 million. According to our plan, actually. Cash flow, fairly good.

Industrial and Terminal order intake. As you can see in graph number six, it grew by 15% year on year. So here we really can say that if you look at it, starting from 2008, we now feel that we are on the way up, because now we have had increasing order intakes for two consecutive quarters. As I said, the first orders will come on the Industrial side; Terminal side a bit later. That's a fairly good level, a fairly good starting point for 2010, for 2011 as well.

As I said earlier, Marine order intake, stronger than expected. Here you can see that it has increased since Q1 2009. Sometimes we get the question, how... some other companies

in the same type of market, in the Marine market, they are showing very, very low order intake, but I think that what we have done here in Cargotec, in our Marine business, is that we have managed to have a very, very strong market share in most ship types. It means the even is some ship types are very much down, we still have product for other ship types, and actually, you know, shipyards, they try to have an even load. They are not really worried if they get an order for a RoRo ship, or a tanker, or a container ship. They try to keep an even load, so luckily we have been able, or we have built the Marine business by acquisitions. You know that, you remember that we made acquisitions both in the bulk segment and on the offshore segment, exactly for that reason that we had to be strong in all ship segments.

So the scenario of a catastrophic downturn in Marine, as everybody was talking about, I don't actually see. Yes, the business will go down, over time, but a catastrophic downturn in the Marine business is not foreseeable for the coming years.

Industrial and Terminal. Here you can see, on slide number eight, you can see the sales. Marine grew, and as we discussed earlier, Industrial and Terminal declined for the reasons I explained here earlier.

Profitability Industrial and Terminal. Just to remind you, volume was low. We had problems with the ramp up. I'd just like to focus, they are temporary problems. They are just related to when you go from almost a zero market, and then you start to ramp up, you have difficulties in getting components, you have longer delivery times for certain components, and if you add to that the fact that on the Industrial side, the new machine directive came into force at the beginning of 2010, which also meant that we had to redesign the components. We had an empty stock. We could not build up the stock before we had redesigned the components. So it's a... it was really a big, big change in the market, during that time. And now it's stabilised.

Marine deliveries. Marine profit. EBIT. Very, very good level; over 14%. Will it continue to go up, following the same curve? Most probably not, because we have to... now we are delivering those very high margin orders. So you cannot draw a line that continues forever, but of course we have built Marine into a business that is fairly profitable, irrespective of the market. So it will be on a good level, but we will see which quarter will be the highest, and then we see it levelling out after that.

Cash flow healthy. Nothing very much to say about that. Of course, working on the cash flow was easier last year than this year. All the low hanging fruits were taken out during that time, but still we have a very, very good focus on it still this year.

Service. Close to last year's level, 28% of our sales, and, as I said, positive signs on the spare part sales at the end of the quarter.

We are focusing very much on building up the service business, and when the market is back, I would say that we have a very strong position there as well.

Earnings per share: 13 cents. Good improvement.

Then I'd like to say a few words about our different businesses. First of all, here on slide number 14, on the left hand side, you can see the division between Marine and Industrial.

Marine and Industrial is the bigger part, and also had a higher service component built in. 36% of the revenue comes from Service. On the Marine side, 18% comes from Service. There we have really seen the market... I think that the ships, at the beginning of the year, they were laid up. On some of the ships only those vital repairs were done, not really the maintenance. But, based on my experience, this creates a business opportunity; once the market is coming back cannot go on forever without servicing your vessel.

Maybe more interesting is the graph on the right hand side, where we have the division between the different geographical areas, and this is something that I've been working on very much during the past years to see that how can we have a more even distribution of our revenue, and on our personnel as well? Sales is the biggest... Europe is still the biggest one, but Asia very close to that one. And today we have about one-quarter of our personnel already in Asia, so we start to even up that. And I must say that I think we are very proud of this achievement because it's a huge shift, in shifting both management resources and personnel from Europe to Asia. And I think we have done it very successfully, and in a quite short time span.

And of course, you have to remember that the Asian business has grown as well. It's not because the other businesses have shrunk so much that the division changes, but we have really been focusing on Asia. And I don't think, in our business, that there are so many companies in Scandinavia that have been able to move their business to Asia. That should also mean that the business is a bit more sustainable than in Europe.

Slide number 15. I took one slide about the organisation. I won't go through here, all the details of the organisation. I just want to show you that this is another, in my opinion, big achievement during our journey. Now we have an organisation. I would say a stable organisation. Stable from that point of view that here it is what it should look like. We have three regions; we have good Regional Heads, sitting in the region. The European one sitting in Holland, and the American one sitting in the US, and the APAC one sitting in Hong Kong.

So again, changing it from a European company, having more focus on the regions out there. We have divided it into actually two businesses, Industrial and Terminal, and Marine, and then from an organisational point of view we also have the Service ones. And of course we have a global supply instead of what we had earlier, a supply based on the business distribution, so we can have a much bigger impact of the benefits of supply as well.

Last but not least, Pekka Vauramo was here today. He's our new COO, Chief Operating Officer. His main task is to see that the matrix you see here functions; functions well.

So then we have come to the end of our journey. New management team, new organisation. Stabilised organisation. And this is how we will continue.

Key priorities for 2010. As I said, restructuring done. Preparing for the growth strategy. As you saw, we are still focusing very much on R&D, hand in hand with the first point here, growth strategy. As I said earlier, service development. Last, but not least, efficiency has to go on. We don't know what the market looks like in one or two years. But now we have a very efficient machine, organisation, to see that we can be the market leader.

Next slide. One word about Poland. Poland is, of course, as you can see in the picture here, taken two days back, two or three days. This is now a factory that exists. It's a factor that is coming up. We have a rented facility next to this, where we have already trained 150 people, so that when this factory, on the second half of 2010, starts operation, we already have skilled personnel there. We know that they are trained. We know the productivity. And we know that we can deliver world-class products from there, from the very beginning. We have already delivered more than 200 loader cranes from our rented facility next to the factory, so we know, we have the proof that we know that the efficiency is there, we know that the quality is there, we know that the subcontractors are there. So this is a very exciting development. And this will be main factory for the European market.

Outlook. We have not changed the outlook. This time of the year I think this is what we have said we estimate the sales to be on 2009 level. Operating profit to exceed 100 million.

Uncertainty in the Terminal business still, but on the other hand, the other businesses are on a healthy level.

So that's my short presentation, and if I recapture where we are, we have taken a four-year journey. We have done this part of the journey. Reorganised. We have a very good organisation. It's smaller than before, but very efficient. And I think it's now our main job is to see that the machine works even better than before, and that we can keep our market position in any type of a market situation.

Thank you.

Questions and Answers

Paula Liimatta

Okay. Now we are ready for the questions. Do we have any questions from the audience in Helsinki? Yes?

Unidentified Male

Can you tell about order book between Kalmar and MacGregor?

Mikael Mäkinen

Kalmar and...?

And MacGregor. About the order books. How they are developing? These companies?

If I start with MacGregor, which we call Marine today, as I said, Marine part we are fairly confident that now we are the market leader in most ship types, and I don't think that the ordering of ships will end in the world, so I'm quite positive about that.

Then talking about Kalmar, of course from the beginning of this year, we have what we call Industrial and Terminal business. So we are not talking about Kalmar and Hiab any more. Industrial business includes some of the Kalmar, ex-Kalmar products as well. And as I said earlier, Industrial, which is the old Hiab, plus some Kalmar products. There we see some very positive signs. On the Terminal business, again, waiting for the big, bigger orders, which I believe that we'll, we will see them coming, because the number of projects is so high at the moment.

Okay. Any other questions?

Paula Liimatta

We can now continue with the questions from the people on the phone lines.

Timo Burscannon (?) – Deutsche Bank

Yes. Good afternoon. This is Timo from Deutsche Bank in Helsinki. I would have couple of questions, if I may? I will take them one by one. So my first one is actually related with EU machinery directive; I don't remember hearing you talking about this before this first quarter results, and you kind of get this feeling that, you know, that these changes came to you as a surprise, and, you know, you are nevertheless one of the leading crane manufacturers in the world. Was it really so that, you know, this directive took you as a surprise? And why, basically, we did not get any kind of a heads up, you know, prior to the first quarter numbers? That will be my first question, please.

Mikael Mäkinen

Okay. Machine directive. Of course it didn't come as a surprise. No, by no means. But what came as a... let's say, a surprise, was the fact that some of those details of the machine directive were approved very late last year. Very, very late. And there's nothing you can do before they are approved. You cannot order any components you cannot finally design the components, you are just sitting there and waiting.

Second thing is of course, what came as a surprise, or not as a... Yes, you could say a surprise, was that the market in some areas picked up very quickly. So this is a combination. We had thought that the market might be a bit slow on the beginning of the year. The same, end December... sorry, end November, early December, machine directives will come in. We will have a few months to amend the designs, order the components. But this happened quicker. So no, it didn't come as a surprise, but it came very late.

Paula Liimatta

Actually... it's Paula Liimatta here. We had a short... we shortly mentioned about it in the financial statement review in the R&D section. We said that we were working on it, but at that time we didn't ourselves know how it will impact on the first quarter sales and result.

So then it's also, you know, maybe () in that sense. Thanks for that. My second question would be now, you know, related to this, on my opinion, very material change in your

geographic of split. I mean, Asia is now accounting 40% of your top line. The corresponding number was 29% a year ago. So did this kind of have some kind of effect still, to your first quarter profitability? I mean, you know, transferring people there? Or did this all kind of, you know, hassle around this kind of a huge change? Or would you, you know, just comment that things went as smoothly as possible?

Mikael Mäkinen

As smoothly as possible, I don't know, but at least according to our plan. And the short answer to your question is no. It didn't have an impact.

Okay, thanks. Then my third one would be that, you know, can you put some kind of a number, this, you know, extra costs in the Industrial and Terminal division in the first quarter, were they for example, less, or in excess of 5 million, and you mentioned that the situation currently is stable, so I suppose we should not expect any kind of similar costs to materialise in the second quarter?

Eeva Sipilä

Hi, this is Eeva. Eeva speaking. Hi, Timo.

Hi.

There's, I think the main way to look at it is that because of the hassle, we delivered less, and when our net sales were less than planned, it meant, and also obvious impact on the bottom line, because the leverage on some of these products, specifically loader cranes, which directly impacted, as you know from before, is quite significant. So then for sure there was some extra over time and that type of thing, but it's... I wouldn't sort of underline that impact. It's more really the top line, missed top line, and that that effect through the P&L. And as you correctly state, so as we have said, this is a process that we are fixing, and ()() is better so we do expect the pick up in sales then to show also on the bottom line as we go ahead this year.

Yes. That, just as a follow up, I reckoned that, because, you know, there was no change in your full year guidance, so I think the management is on that opinion that you are able to catch up later on this year.

That is correct, yes. We... you can read the guidance being stable, as something that we expect to be able to deliver on.

Yes. Unfortunately I still do have a couple of questions. So, you know, hopefully I'm not taking too much of time, but nevertheless, you know, let's take them quickly. Was there anything extraordinary good in the first quarter order intake, or would you characterise that one being just, you know, business as normal and reflecting the current environment at the market?

Mikael Mäkinen

Extraordinary good was of course the military order that we got during the first quarter. On the other hand, we also got not of the same size, but also military orders during the

first quarter last year, so... But if you're just asking, if there is any specific order, then that's the one.

Okay. So basically you would characterise that as, as you several times mentioned during your presentation that it is just that the market has now, you know, picked up?

Yes.

Oh, okay. Then, this is my final question, I promise. So, you know, you mentioned regarding the Marine division that, you know, now the high margin orders are at delivery, those high margin orders that, you know, you had received prior to downturn. I was just wondering that, you know, that how long should we expect those orders still to be in delivery? Will they, you know, still be two, or one or two quarters ahead, and then those very high margin orders are delivered? Just to get some kind of a picture, when trying to model the Marine division's margins going further.

Eeva, do you want to give any comments on this?

Eeva Sipilä

Well, it's now been six months with which I mean, this last quarter of last year, and the first of this very, very high boom you saw on the one slide. I think it's fair to say that we are going into a phase where the best is behind, but how exactly things develop during the year is obviously, they're not always dependent on the mix, and our execution capability on those projects we have in the order books. But again, I would refer to our guidance on the group level, which gives you an idea of the total, and I leave you some liberty in dividing that between I&T and Marine.

But surely, I mean, you know, I guess it would be fair to say that we won't have the normal, you know, seasonal event (?) in the Marine division?

Well, that's correct that this high boom in 2007, 2008 that is now being delivered. It does... it is so strong that it kind of takes away the seasonal impact that in a more normal year would perhaps be visible, so you really have to look at it in that sense as based on the order book, and the time of when those orders were booked.

Thank you very much, you know, giving me a long time. This was all that I, you know, needed to ask. Thank you.

Mikael Mäkinen

Thank you.

Christophe Frederikson – ABG

Hi, Christophe (?) Frederikson from ABG. Just a clarification as a follow up from previous questions. You talked about the Industrial and Terminal business will improve and fix itself throughout the year, but will we still have a negative effect from the hiccups you had in Q1 in Q2 as well? And the fix up will entirely be seen in Q3? Or will we see it already completely in Q2?

Completely is of course difficult to say. Of course it will... I mean, it will be better and better quarter-by-quarter.

Okay. And then secondly, on the Marine side, maybe if you can talk a bit about the profitability levels you have in the order intake now, compared to the deliveries? If you had a price pressure and it's tougher to get the kind of possibility deliver on in the order intake as well?

The order intake in Marine is... continues to be on a healthy level. Of course there is much more price pressure than on... That's what we're trying to say that during those exceptional order intake time, I mean, the shipyards didn't really have even time to negotiate the prices. They were just asking for delivery time for products and so on. So now we are back to normal, normal market, but for us, as the market leader in the Marine business, in our field, we are very, very strict on keeping a healthy level on our orders.

Good.

But, and the price pressure is there, but on the other hand also, the costs have gone down, and so on. So I... in my opinion, it's fully under control.

And then finally, on raw materials and raw material costs, especially for the Industrial and Terminal business, when steel prices are heading higher here, and at the same time you have in the industry quite high over capacity, will you be able to force through the increased raw material prices, or do you experience to get a bit squeezed in the coming quarters? Before the demand improves enough to increase prices?

Yes, we have seen some increases. More so at this moment in the statistics; of course it takes a while before they flow through, and of course we are not counting only on passing on these price increases in these kinds of circumstances to our customers, therefore we have several actions in place, where we take care of our cost price and effectiveness and productivity in the supply chain.

What was mentioned about Poland, that will play an important role, already in relative short term in this development, and then of course already prior to this recession we expanded our capabilities to deliver out of China, in fact quite dramatically, which is ready to take on the growth now.

Thank you very much.

Sebastian Hubert – UBS, Frankfurt

Yes, hi. It's Sebastian Hubert from UBS in Frankfurt. Just a few questions left over. Can you remind us maybe how much of the cost overruns were in Poland? So what would have been the EBIT and TNI excluding that? Also, with regards to your weaker than expected top line, how much was the impact of the port strikes in Finland? And then last, not least, at the MacGregor division formerly, it's now Marine; can you remind us on the share of sales to offshore? So has that been a high contribution factor for the higher margin? Thank you.

Eeva, do you want to start?

Eeva Sipilä

Well I can at least start with the offshore question. We've given, in our report, the figures on how the Marine order book breaks, which is quite indicative, also, on the sales, and we talk about our offshore being some 10%, so in that sense the first quarter profitability is more due to orders taken in 2007, 2008, when... and there is no specific impact from offshore as such. I would say that is the more bread and butter of Marine still there.

Then regarding your second question was on the possible impacts of the port strikes in Finland. Actually, in our case they were very limited. We had very... for the time being, quite a limited capacity utilisation, due to the lower order intake in the port side, so we had no deliveries impacted in that sense, and even Finland no longer plays such a vital role in our supply chain, so in that sense we... I wouldn't say that there was even any impact. Of course, some minor, but nothing to really note on this regarding the size of the company.

And then your final question was on Poland. Actually there were no specific cost overruns in Poland. It's more a question that we are investing in Poland, and the first quarter cash flow impact of the Polish investment was some €6 million, and that continues in the second quarter. We are then, as our CEO was saying, ramping up production in rented facilities, training people, but they are already delivering products out, so in that sense it's on a quite good track. But as we said earlier, this year will be a ramp up year for Poland, and we're very happy that we are on schedule, and have a good pace and delivery quality reached already now.

Okay, then maybe one follow up question with regards to the order intake in Industrial and Terminal. Is it fair to assume that regarding the old divisions, Kalmar and Hiab, we should have seen a steep increase in Hiab, but a still a lower level, or even a decline in Kalmar?

Mikael Mäkinen

Yes. I mean, we don't give any details on that, but you are right. That's what we have said in the presentation as well that we have seen a pick up on the Industrial side, and the market is tougher on the Terminal side.

Okay. Thank you.

Johan Elliason – Chevreaux

Hi, this is Johan Elliason, Chevreaux (?). I just have a question, coming back to Marine. Can you give us some sort of indication of the potential margin differences between the orders in offshore, container, bulk, etc? Are there any significant differences here, really?

Pekka, do you want to comment on...?

Pekka Vauramo

We don't see significant differences between the different segments. On the other hand, we are not giving this kind of detailed information out, but just with the comment that no significant differences are seeable between the different segments.

But would it be fair that one assumes that the offshore does carry a little bit of higher margins?

I would say that, and this is true in general, throughout, that it's probably more so that it depends on what kind of position and relationship we have with customer, rather than what segment the customer comes from.

Yes. Okay. That was all, thank you.

Mikael Mäkinen

It's Mikael here, and maybe one more comment. And of course, the margin, I mean, the higher margin product in Marine are more complicated projects. They could be a very complicated car carrier. They could be a very complicated offshore delivery. They could be a very simple container delivery and a very simple offshore delivery. So it depends on the complexity of the project.

Zasu Risimaki

Zasu (?) Risimaki (?) ()() here. Two questions, if I may? First, can you give us an idea of what is the impact of pricing with regards to the profitability of the Industrial and Terminals business at the moment, and how you expect that to develop near term? Then, secondly, you mentioned, I think, that you were seeing some improvement in the prospect situation or project activity for the container handling business, and I was hoping you could add some colour on that on what kind of customers are you exactly referring to, and which geographies might they be in? Because I think this comment is slightly out of line from what your peers have been talking about recently. Thank you.

The outlook on pricing, I mentioned earlier on here that we are not counting on our result to come from, let's say, positive price development. We have several actions in place where we are looking after our supply chain, and we will start to see that impact as we move on.

Then of course, if we look a little bit back, what has happened here, yes, the pricing has been very, very tight, but at the same time we have seen very huge reductions in our costs, like in materials. I mean, if we, yes, we are seeing now steel prices going up, but we saw a very steep drop in steel price and that is of course coming then, with certain delay to us, and in some components, in fact, after rather long delay, and we are still enjoying that situation here. So yes, it has been a tight pricing situation, but at the same time there's big reductions in the cost side.

Then a question about the Terminal business, of where does it pick up?

Okay. The Terminal business, in general greenfield investments are proceeding very slow in Terminal business, which is understandable, because container volumes are still, they are moving up now, but they are still ways below where they used to be, and especially

they are below the previously forecasted growth pattern. So greenfields are very slow. We have seen increases in replacement investments, and this is of course we see it then with the smaller equipment, where we have seen now increasing order intake. At the same time the bigger equipment, big cranes, we still have a very, very quiet in that front, as we had already in last year.

Okay. Thank you very much.

Tom Stomman – Handelsbank

Yes, this is Tom Stomman (?) from Handelsbank (?). I have two questions. First of all, could you elaborate a bit about the exposure to the SEK and the US dollar? They both have risen significantly in the last time () () sales and our production still in Sweden.

The second question I have is about your guidance. You have already announced a big recovery in your gross margin, up three percentage points year on year, and it was down significantly last year, so obviously you are getting better. So let's say expose... or a better capture of the price, compared to the cost there. Then you should have net savings of €50 million, and you have an EBIT of 61 last year. 50 plus 61 is 111. And then the gross margin is improving. You have Service sales recovering, and you should have some leverage in the Hiab business. So how do you come to your guidance of EBIT just exceeding 100? What am I missing?

Eeva, do you want to...?

Eeva Sipilä

Okay. If I start with the question on the Swedish krona US dollar question. So yes, it's true. We still have a significant production in Sweden. Although I would say that due to the restructuring done last year, if you look at our personnel and supply set up, it is less Swedish than a few years ago. So in that sense the Swedish krona certainly has strengthened. Maybe I would say that it is more back to normal levels than where it was for a time being, so maybe we had in a sense a temporary ease.

Then, regarding the US dollar, that the US dollar strengthening and the euro weakening recently, on the other hand, is more positive to us than negative, so I'd say that the two currencies go in a bit different directions from... But overall, our sort of main philosophy remains the same, that we try to balance and build the supply and sourcing, so that we operate on all time zones, all geographies and all currencies, and it is not our position to start building factories based on some currency view; rather that currencies happen, and we need to be agile enough irrespective of...

Then on your question on guidance. I think that we have solid reasons for keeping the guidance as we said some months ago. When we earlier said it, I think there were a lot of questions related to the fact that are we too optimistic on the sales? Now I think the order intake in the first quarter numbers on that prove that we had good reasons to set the guidance as it is, and that does apply for both volume and profitability, so I have to say, we still have quite a lot to do to get to over 100 after starting with 15.8 million, so...

But those elements you mention, of course are relevant elements as such.

Mikael Mäkinen

It's Mikael here. I'd just like to add to the question about the (())(). We have to remember our factories are assembly factories, so even if we have a number of assembly factories in Sweden, the components are coming... they are coming from Europe, they are coming from China, they are coming from former East Europe so it's not so that the Swedish factory is only a SEK factory.

Okay?

Sebastian Hubert – UBS, Frankfurt

Yes, one follow up question, please. Can you give us an update on the port security issue? At the Capital Market stand 2008 you said that you expect the market potential of up to 2 billion US dollars. As we all know, it looks like this will get postponed until 2014, so what is the current status of such projects, and how good is Kalmar in terms of competition in that manner? Thank you.

Thank you. It's Mikael here. Do you want it, Pekka? You follow it more in detail.

Pekka Vauramo

Yes, of course this is an opportunity that we are following closely, and our development actions are going on. We are aware this delay of executing the regulations. On the other hand, we have seen a lot of news that have been hitting headlines, how President of US has said that nuclear terrorists is probably the biggest threat that he sees for the US and threatening also for rest of the world, and these are of course very positive news for us in this regard.

Our development actions are going on. Our test programmes are going on. We have very positive results out of those tests. The competitive landscape is in a way starting to shape, but of course it's a new area, new segment, nobody today really knows that what will be the breakthrough. Nobody really knows and understands at this moment that how many suppliers, how many alternative ways of monitoring potentially hazardous cargo there will be, so it's too early to comment on competitive picture.

We have a small unit based in USA. We have been able to get all the qualifications, including we have just recently qualified as a contractor to Hallmark (?) Security, in USA, and these are all very positive signs and like I said, very interesting, and good potential for our future.

2 billion is a big number. That is probably the number that will be spent on making sure that authorities know that a cargo that is being shipped is safe. What share we might target out of that one remains to be seen then, in future.

Okay. Thank you very much.

Closing Comments

Paula Liimatta

Okay. Do we have any more questions from the live audience? If no, we would like to thank you all here in Helsinki, and on the phone lines, for your attention today. Have a good day.

Mikael Mäkinen

Thanks.