Good morning, ladies and gentlemen, and welcome to Cargotec January-September 2011 conference call. We have a small live audience here in Helsinki and people on the phone lines. We will start with the presentation by our President and CEO, Mikael Mäkinen, and after that we will have time to answer your questions. Before you answer (sic) a question, please state your name and company to benefit the other listeners. I think we are ready to start. Mikael, please.

Mikael Mäkinen

Thank you. Welcome, everybody. As usual, I will give a 15, 20-minute brief of the January-September result and quarter-three result. And after that, there's time for questions and answers.

Highlights for the first nine months, market activity... I think there's... it's too close (). Okay. Market activity remained healthy in both the segments and all geographies, and that's of course a very interesting situation that so far it has been good. Of course, I will come back to how we look at the future, but it looks healthy and good.

Order intake and sales grew by 19% year on year, which is a very good number in this market situation. And I'm quite happy with the overall operating profit of 7.2. I mean, of course there's much room for improvement, but we are on the right path. We tied more capital into the business. And the main reason for it is of course the very fast ramp-up that we have had. We have a lot of deliveries towards the end of the year, early next year, so that affects our cash flow. We also signed a number of important terminal contracts, port terminal contracts during Q3. I will come back to that a bit later. This morning we also announced the new operating model as of January 2012. I will look at that a bit more in detail later.

Market environment, strong activity in all markets. One exception, same as I have said during the previous quarters, is the construction-related segment in US. We don't see any recovery there. But on the rest of... in the rest of the markets, good development, looks good, although when talking to our customers there is a small sign of uncertainty, what will happen to the... in the world? It's not really any tangible yet, but there's something that could flat out the market, could go down a bit or could continue as until now. Difficult to say, but still, more positive than negative.

A high number of containers. How is it possible that the number of containers is growing and growing? The main reason for that is that more and more goods are put into containers. Container is the main way of moving goods these days. And also, as I said earlier, big automation projects were signed during this quarter.
Marine, also healthy. Remember that we are in all ship types except tankers. It's different revenue per shift. It depends on the shift type. So you cannot just look at Clarkson's overall figure. You have to go more in detail, how many row row (?) ships are there, how many offshore vessels and so on. So it doesn't look... didn't look that bad at all.

Service, you will see that the growth... there is a growth, very small growth. Services in our business isn't the easiest type of service. It's not... as I've said many times, it's not mandatory service; it's a service that either the customer does himself or he outsources it to someone else.

The figures, order intake, very good, giving a good order book. Also the sales in the quarter was good. When sales go up in the business it of course has a positive impact on the operating profit. So also on that line, fairly happy. Not at our target level. Many areas... we could develop many areas where I would like to have a faster recovery of the operating profit or most of the operating profit, but I'll come back to that also a bit later. Cash flow, as I said, much lower than, for example, one year ago, but I think we are on top or I know that we on top of it, so I'm not too worried about that.

Industrial and Terminal orders grew by 45% year on year. Good achievement. And you have to keep in mind that the big London Gateway order is not in those... these figures. We announced it before the end of quarter three, but it's booked on quarter four.

Here's a picture of... a very interesting picture of the big projects that we have got during quarter three, beginning of quarter four. The interesting thing in this picture is that we have dots worldwide. We have the trade pack (?) on the west coast of US, we have Venezuela, we have a big project in Africa, we have London Gateway outside London, we have a big project in the Philippines, so there's market activity in the whole world. How is that possible? On the Terminal side, more and more big ships are coming into operation, and those big ships, they need bigger ports. So the ports have to be upgraded, bigger cranes, more automation to be more efficient.

So I think that the interesting thing here in this picture is the fact that those dots are all over the world. I also believe that this is the way it will be in the future as well. Personally, I don't believe in a worldwide collapse of the market, but I think that we will see many years of uncertainty. And that's why global companies like us, we have to go to those markets that are active; we have to reduce our capacity in those markets that are less active.

So I think that the world has changed. There will not be a worldwide recession. There will not be a worldwide growth for the coming years. But I think we are well equipped for that kind of development as well. We have already big activity in Asia. Asia will be the growth engine. We have a good foothold in South America. We could be better in Africa, but that's coming. And we have a good foothold in India as well.

Marine, of course we are not at the 2008 levels, high, high order intake levels. But remember, at that time people were ordering not one ship or two ships, they were ordering ten ships or 20 ships. So on a normalised level I think that we are on a fairly good level with this order intake between 200 and 300. We see some recovery in the offshore area. That's maybe new.
Sales grew 19% year on year compared to previous quarters. Now, that's the seasonality. It depends on then our project take... our customers take delivery of the bigger projects, can vary quarter... between quarter and quarter.

Operating margin in Industrial and Terminal was flat. Yes, I know that many of you feel why is it not growing? But we have to remember that we had lower sales here. And the fact is that component prices have been going up faster than I anticipated, and I think that's something that is very strange, when we are not at that level that we were at 2008. But that's just a fact. And we cannot pass on all the cost that we would like to our customers. We can pass it on but we cannot pass on more than that to our customers. So we are on the right path. We are going towards a recovery of this business. And of course, I will come back to one of the solutions a bit later. So I'm not happy with this figure, but I'm happy with the way it's developing.

Marine profitability continued very strong. We have been able to keep an extremely efficient operating model in Marine. We have guided that, yes, we will come down to a lower figure. And of course, that's what will happen, but it will not happen overnight and we are not talking about the figure of the 2008 level. We are talking about the double-digit figure also in the medium term, and then I'm talking about two to three years. But very happy with the development there. And of course, we try to keep it as high as possible, naturally.

Gross profit development, markets were a bit concerned during the recession when the gross profit went very low, down to 14, came up, slight downturn. Now it's going up again, so good development here as well.

Cash flow, as I said, that's reflected in the growth of Industrial and Terminal. We had many measures in place to see that we are not... that we are doing the right... correct initiatives (?) wherever needed, wherever we can do that.

Service, if you look at quarter one 2010 up 'til now, slight growth, very small growth. We are putting in place more measures, but they take time. And I think that besides growing the service it's also extremely important that we take care of the new business, new solutions, new products. We cannot rely on service as saving the company. I think that the whole company has to be in good shape.

Earnings per share, yes, our tax... the tax was a bit higher in quarter three, but I think that if you want to have some kind of guidance for the full year, use the average tax rates for the first nine months and then you are correct.

Not a very big change in the various geographical regions. Yes, small recovery in US. That brings down then the other regions. But fairly similar pictures to what we have seen before.

The strategic focus areas that I've been talking about very much, customers, yes, we are doing a lot of activities. And I think one of the results is the big orders that we have got, is that we have managed to get the organisation much more customer focused than before.

Emerging markets, yes, good achievements during the year. China, we made a joint venture with Rainbow Heavy. Now we know that we have a competitive base for
producing our product. Russia, just a few days back you saw that we signed an agreement with Rosmorport, which means that we are together with Rosmorport, which is the government authority developing the ports and terminals in Russia, developing new terminals and how to handle cargo in Russia. I think this is also a very interesting step.

Services, we are doing a lot of things, a lot of development in services, but it takes time.

Internal clarity, yes, we're working a lot on the internal processes. The processes are now in place. We have to harmonise the information system. That's our one project. For the development of Industrial and Terminal organisation, now you have seen what we meant by that.

Today... this morning we announced a new operating model. And that's actually to... for internal clarity and to accelerate the strategy implementation. What have we... what are we going to do from 1st January 2012? We are going to have three external reporting segments, Marine, and then Terminal and Industrial will be split into Terminals and Load Handling. Some... or I got a question this morning, why don't you call Hiab and Kalmar? No, this is not old Hiab and Kalmar. And the reason for that is that it's a totally new way of looking at it.

I will try to explain it to you. When we combined Hiab and Kalmar, why did we do that? Because we had to get out the synergies from production, from processes, from all the back-office functions, and we could not manage to do that if the units were separate. At the same time, we were developing the strategies, how can we go on forward from here? And the cornerstone for the Terminal strategy was to have competitive production of our products, which means joint venture in China, and that's done.

Second thing, we had to go up the knowledge ladder. We had to have more knowledge. We had to not only provide products, but real solutions and understand our customers. And for that, the solution was Navis. So we had... now we have competitive production, we have Navis, we know the whole chain and we have got some big orders.

So Terminals is in place and it needs much more focus than before. That's why we have to now lift out Terminals, see that it's really, really capitalising on what we have built there.

Load Handling, on the other hand, has developed. The main part of Load Handling products are of course all Hiab products, and then you can compare it to some of the competitors. Have we lost market share? Have we gained market share? My guess is that we have lost some market share, and we will not let that continue. So we want much more focus on Load Handling, a much stronger strategy on being number one in the world. So that's why we take it out and call it Load Handling.

We are adding products on Terminals. Why is it not Kalmar? Because we have Bromma products, we have Navis products, we have new products coming that are not Kalmar products. That's why it's called Terminals. It's a different... it's a solution-based business instead of all product-based business. Load Handling, same thing. We are going to look at how we can be number one in this segment in the world. It might require... I don't know. There are many... there are acquisitions, joint ventures, new products, whatever it is. But I want more focus on that as well.
Last but not least, of course we have got a lot of comments from people like you, from the market, that, hey, the visibility isn't there when you divide... when you have all the products in one basket. And of course, this will help to that as well. But we will have better visibility, easier KPIs for... to explain to you what's happening in the different areas. But I'm extremely happy on what we have done and I'm actually very happy that we combined them, and that way we could very quickly get the processes in place, get the multi-assembly units where a combined production is done and get the service together. So many, many good things have happened which could not have happened if we haven't gone that way, and now we come to the next stage.

Services continues, not an external reporting segment because it's actually the products are sold through the three businesses, external businesses. The regions, they will be responsible for sales in the respective markets. At the same time we have said that, hey, now the businesses are big, strong, they have to handle many of their own activities, which we have also earlier centralised. Why centralising them? So that they get the same way of doing everything, from development discussions to financial reporting. Now we are going to streamline that organisation. The processes are ready. Now the businesses have to manage that themselves. I think that we are able to take out some cost here and also give more autonomy to the businesses. Again, in my opinion, a good, good development.

2011, we haven't changed the outlook, grow approximately 20% and operating profit margin estimated to be at approximately 7%, exactly the same. We have done this over the years exactly in the same path and I think that we are going the right way. And I'm actually very happy that irrespective of the market... I think that is one of the strengths of our company, is that we are a global company. We can manage... as you saw, we can manage projects in South America, in the Philippines, in London. We know how to manage in this uncertain situation.

Okay, Paula.

Questions and Answers

Paula Liimatta

Okay. Thank you, Mikael. We are now ready to start with the questions from the live audience. We have also our CFO, Eeva Sipilä, here to answer your questions. So, audience please.

Unidentified Male Speaker

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Mikael Mäkinen

Yes, I think the Chinese companies are interested, but are we going to sell it? No. No, that's not the plan. The plan is to have more focus, because we have said that those segments that we are going into we are going to be the world market leader. So that's what we are going... that's our... that's my aim, that we will be the world market leader on Load Handling as well. We might need some partners, yes. I don't know how it's done, but... in detail. But no, that's not why we are splitting it up.
Erkki Vesola - Swedbank

The Industrial and Terminal orders during the first three quarters of this year were more than twice the Marine orders, i.e. there's a gradual sales mix change going on. And taking into account the margin difference we have in these two business areas, so there's, kind of, embedded margin deterioration from 2012 onward, how would you comment on that and intend to tackle this issue?

Mikael Mäkinen

Okay, first of all, yes, I mean, if you look at the figures you are totally right, that's an analysis that you can make. First of all, we have to remember that Marine still has a very healthy, long order book, so we are not talking about that it will disappear overnight, neither the order book nor the profitability margin in Marine. Secondly, all our activities, including this splitting it into Load Handling and Terminals, are aiming for that we have a better visibility and that we can bring up the profitability of those businesses. So yes, I understand your question. Am I concerned? Of course, life would be much easier if there would be a huge Marine order book as well. But that's our job. We haven't changed our long-term targets of 10%.

Paula Liimatta

Okay, I think we can take questions from the people on the phone lines now.

Sebastian Übert - UBS

Yes, good morning. Sebastian Übert here from UBS. Just a quick question on the new reporting structure and the streamlining of the organisation. Do you also expect restructuring charges to come up? And if yes, by when and how long do you think that this new focus, especially in the Load Handling, will take?

And preparing for the potential acquisition in China, but do you see there the risk of further move in the market share or being number two in that market? What is your China strategy then? Thank you.

Mikael Mäkinen

Yes, if I start with the second question, what is our China strategy? As I have said, now we know how to proceed on the Terminal side, if we go to Load Handling one of the big questions is how can you distribute your products in the big markets China and India? That's definitely... it's a good question. We are looking at many alternatives there, so I think that we will... or I know that we will one day have a good solution for that.

One thing that you have to remember about Load Handling is of course, yes, we said... I said that maybe we have lost some market share in some markets and so on, but it's not so that we haven't had any Load Handling organisation. Yes, thousands of people have sold a product, and order intake there has been good as well. So it's not so that we start from scratch. We just want to have more focus on that, and that includes acquisitions, as I said,
distribution in developing markets, new products and so on. So we are not starting from scratch.

And then the first question was... yes.

Eeva Sipilä

Good morning, Sebastian. This is Eeva Sipilä answering your second question on possible restructuring costs. So we've just today announced the plans and we'll start union negotiations in Finland and Sweden, so obviously we don't yet know the outcomes. However, we have given you a full-year guidance, which you should use as the base for this year profitability, and then we come back to next year's guidance in three months.

Sebastian Übert - UBS

Okay. Do you expect that you can give us some kind of more colour of the new structure at the Capital Markets Day on 17th November?

Eeva Sipilä

Well, we will certainly, in our Capital Markets Day, discuss Cargotec's development and I'm sure this () organisational model will be part of that discussion. And obviously all that material will then also be publicly available on our website.

Sebastian Übert - UBS

Okay. Then I have one follow-up question, please. Some companies have indicated that payment terms have somewhat weakened, especially that prepayments are not being paid as high as it was in the past. Do you also see this development at your company?

Eeva Sipilä

We don't see a change in the prepayment pattern or the size of them. I think, overall, obviously in a situation like this, accounts receivable collection is highly important to avoid bad debts. And we have put a lot of efforts, and will continue to do so, on that part.

Sebastian Übert - UBS

Thank you, Eeva and thank you, Mikael.

Mikael Mäkinen

Thank you.

Tom Skogman - Handelsbanken

Yes, this is Tom Skogman from Handelsbanken. Could you elaborate a bit more on the Marine order intake outlook by ship segment? And how long can you stay at these sales levels where you are now, given the outlook you see?
And then on the Industrial and Terminal side, could you give an update about what's happening to the cost structure with component sourcing in Poland and so forth?

Mikael Mäkinen

Okay. If we look at the Marine first of all, this year, as we have said, higher activity in the offshore sector, which I think is very good for us because the possible order intake for ship is very much higher there than in many other ship types. How long will it continue? Yes, we have seen that overall order intake for ships has been coming down. But now, on the other hand, we have also seen some new activity on the container market. So, I mean, in the short term I'm not too worried, but we will see. It's difficult to say.

But I think that actually if you now look at the level, yes, it has been coming down from the 2008 level, but it's on a healthy level and the forecast from here onwards for our interesting ship types is fairly, I should say, flat or slightly positive. But of course, it might change. I mean, the whole… there are so many question marks there, but I'm not too worried about that in the short term. And then at the same time we have to remember that we have a good order book, so it's not so that it will stop overnight, even if there would be a few months with very low ship ordering in the world.

Poland is… the ramp-up of Poland has been going very well. We have employed more than 100 new people there this year. We continue employing more people there. So the ramp-up has been very good and it's going exactly according to our business plan, so that's a good thing.

If you then ask about the components, yes, there are certain components where the price increases have been much more than they should be in this kind of market situation. And that's something that we have to tackle, new suppliers, new designs for the products, lower the cost and so on.

Eeva, do you want to add something to this? No?

Eeva Sipilä

No, that's fine, yes.

Tom Skogman - Handelsbanken

Would you like to add something else to then component to why the margins are not going up despite much high sales all the time ()? It is it a pure component issue or is it... have you hired a lot of overhead people or what is... what are other things?

Mikael Mäkinen

No, we haven't hired... actually we haven't hired a lot of overhead people, so that's not... But it's the whole transformation of ramping up the new factory's product mix. There are so many components to this. But I think that the component pricing is the biggest component of this not being able to ramp up the profitability as quickly as I would have liked it to be.
**Tom Skogman - Handelsbanken**

*Any light in the tunnel when that will normalise, not your (?) pricing compared to component pricing?*

**Mikael Mäkinen**

Yes. Do you want to say anything about that, Eeva, or...? I mean, of course we would like it to be tomorrow, but...

**Eeva Sipilä**

Yes. I think there is no, sort of, immediate relief probably available. That is why we are initiating more actions on the Terminal and Load Handling side of the businesses to get to where we want to be in profitability. But of course, you can always discuss that if we really run into a serious economic downturn then probably the silver lining of that recession is then a component price, the situation should change, but I think it's... it is so uncertain it's very difficult to predict at this point. I would be surprised if prices go up from this level, but, as said, it is challenging times to be estimating.

**Tom Skogman - Handelsbanken**

*Thank you.*

**Mikael Mäkinen**

Of course, we are quite positive that we are doing the right actions. As Eeva said, I mean, the splitting of Industrial and Terminal into Terminals and Load Handling. I think that's one of the... so we get more focus, we get more organisation. Industrial and Terminals was maybe... or was good for the back-office functions, good for the processes, but it was too big to manage. So I think that that will help this profitability improvement as well. At least it's easier for us to pinpoint where the possible problems are.

**Closing Comments**

**Paula Liimatta**

Okay, do we have any more questions from the audience in Helsinki? No. If there are no more questions from the people on the phone lines I think it's time to thank the audience and wish you a good day. Thank you.

**Mikael Mäkinen**

Thank you.