

FINAL TRANSCRIPT

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PRESENTATION

Operator

Good morning ladies and gentlemen and welcome to the Cargotec Corporation financial statement 2007 conference call hosted by Eeva Makela. My name is Clementine 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 am now handing you over to Eeva Makela today begin today's conference.

Eeva Makela - *Cargotec Corporation - SVP IR & Communications*

Good afternoon ladies and gentlemen. Welcome to Cargotec's conference call on 2007 financial results. We have today a joint event. We have an audience here in Helsinki as well as people on the phone lines. We'll start with a presentation by our President and CEO, Mikael Makinen, which will last some 20 minutes, and after that we'll begin a Q&A session. We'll start with questions here in Helsinki then continue with those of our conference call participants. Here in Helsinki please use the microphone and state your name and company before asking any questions for the benefit of the conference call listeners.

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Mikael, please.

Mikael Makinen - *Cargotec Corporation - President & CEO*

Thank you. So welcome everybody. Cargotec 2007. I'll spend, as Eeva said, about 15, 20 minutes going through it. If you have any questions then feel free to -- I thought that maybe you write them down and we take the questions after that because otherwise it will be a bit difficult with the audience.

Key issues during 2007. Order intake was very, very strong. 40% growth from 2006, reached EUR4.1b. And especially quarter four was extremely strong, EUR1.2b compared to EUR716m one year ago. We are very happy with that and I'll come back to how we see the market from here onwards. It seems to me still seems to be strong.

Sales grew by 16%, rose to about EUR3b which was our eternal target to reach EUR3b. Out of these sales a bit more than half was organic and a bit less than -- all the rest was then acquisition based.

Something that I have been mentioning many, many times is the growth or how we can increase the efficiency, how we can develop the Service. Now we can see a 32% growth in Service, so a very, very strong performance there. I'm very happy with that.

Operating profit, EUR221m excluding the one-off of EUR18m. I will come back to that how it was built up a bit later. So the same in Euros, the same amount as last year, then of course, in percentages it is lower as we have indicated after quarter three.

The market was very lively. Load Handling, Hiab products, Europe and Asia especially, very, very buoyant, whilst the U.S. demand was and is weak.

Container Handling, there we can mention the reachstackers where the demand was very good and I would say, quite a number of big projects going on over the year. Still we see quite a number of those big projects being materialized beginning of this year or during this year. So market looks healthy.

Marine Cargo, you have seen the record number of releases that we have given for MacGREGOR products. Still today looks good. I'll come back to that a bit later. But during the year, very interesting order intake in the marine cargo handling and offshore. Especially offshore was growing, growing very fast.

As I said, all the industry has been doing very well irrespective of which type of industry which means that the Service is growing and more favorable throughout the year. We have to remember that our market share in Service is around 10%. It's EUR7.273b. Business, we have 10% of it. We are the biggest player in the market, which means that it is very, very scattered. So I see huge opportunities in growing the Service business once you have good set up. And now we start to have a good set-up, now we have good processes for expanding the Service business.

Order intake, I said very high figure for the last quarter 2007. Good figure for the whole year, EUR4.1b. Slide number 5, you can see the order book new record. One year ago I said that EUR1.6b is already a high figure. Now I'm saying that EUR2.8b is the high figure. But on the other hand, we have to remember that delivery times are getting longer and longer. They're getting longer also on Hiab products because the availability of trucks in Europe, it's eight to 12 months before you can have a truck in Europe, which means that people are ordering the truck, now ordering their equipment. So we have a longer order book than one year ago.

We also have to remember a big part of this order book is MacGREGOR and MacGREGOR has an extremely long order book.

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Sales grew by 16%. Third quarter we were talking about the sales for the full year giving some kind of guidance. People were a bit hesitant because that meant a huge sale during the last quarter and it was the end of the year. And we managed to do that EUR868m, which I'm very happy, very happy that we have now a machine where we can say that we also get out -- a bit out our product all the way until the end of the year. This has always been Christmas and the days between Christmas and the New Year but now I will say that we -- I have a production system where we can rely on a full December.

Geographical sales, mentioned earlier Asia. Asia growing 37%. Now at EUR700m our Asian business, now it starts to be a business, a real business. We can attract better people in Asia, be a more better presence there. We have more production setups there and so on. So now our EUR700m Asian business is a good business.

Americas, the yellow part, minus 10%, mainly because of the downturn in construction which hampered the Hiab sales in the Americas, sales of Equipment and Service. We have to remember that as well that the service has been very down in the Hiab business in the Americas.

Europe, our bread and butter. Half of our net sales grew nicely, especially Eastern Europe and, of course, our red chart here, EMEA which means Eastern Europe -- Europe and Middle East and Africa. There's been a big growth also in Middle East and in some parts of Africa.

Service, as I said 32% growth representing 25% of our sales. Healthy development. EUR760m was the net sales total of Service last year, growing from 32% from the previous year as said, and in all the three business areas. The slowest growth was in Hiab, as I mentioned earlier, because a lot of equipment -- our Hiab equipment in U.S. and because of the downturn in U.S. It is not only that people don't buy new equipment; they don't run their equipment, which means that they don't service their equipment. But still we managed to have a 25, 1% increase there.

Now you can see that we saw here some years that the MacGREGOR Service was not growing very fast. That was because when the day rates for ships started to be higher nobody wanted to service the ships. But now they have been running without enough maintenance for too long so now you can see that they have to do the service.

Kalmar, the growth is mainly based on our persistent work on building up our service skills capabilities being in the main major hubs offering full service, also servicing the competition's equipment and so on.

Operating profit, EUR221m, minus this EUR18m for the Bromma inspection. I'll come back to that a bit later. Operating profit was actually in the various businesses 7.9% in all the three businesses. I'll come back to that as well.

If we analyze on page -- slide number 11, if we analyze the operating profit what's really happening here is that we have to start from the bottom and say that operating profit 2006 was EUR240m, 2007 EUR203m. But then I know that it is in different parts of our report, but if you really analyze what's happening here you have to remember that last year we had the capital gain from selling -- real estate sales in sum for EUR17.8m. We had the one off cost of Bromma 2007, which really means that the comparable operating profit from operation was EUR222m year 2006 and EUR221m year 2007.

If we analyze this 2007 versus 2006 operating profit we have to say that in Hiab, yes, it's a lower figure going from EUR86m to EUR73m. That's the U.S. market effect.

In Kalmar from EUR111m to EUR105m, it's the R&D investment plus the expansion of the network -- the service network.

And in MacGREGOR, we have seen a good growth of the operating profit.

On Group administrative costs we have again the global network and the knowledge building that we have said earlier that we will invest in.

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In addition to this EUR221m/EUR222m we have to remember that the purchase price allocation, take there EUR3.3m 2006 and EUR9.9m 2007. And we had the one off of closing the Hiab factory of EUR3.3m. So if you add all this, the comparable operating profit is EUR225m for 2006 and EUR234m for 2007. So I think this is very important to keep in mind that this is how it is built out of these steps and then, of course, the way you analyze it is up to you how you handle the different parts.

We have a question about the Bromma. Is EUR18m enough? Yes, as far as we know today EUR18m is enough. Are there other similar Brommas? No, I must say that in this type of industry every maybe 10 years you find something like this; a problem with the product. We have gone through all our products. We cannot see anything else similar to this. This was a building process problem and as we are the market leader in spreaders by in technology and in quality of spreaders. We thought that it's better to correct everything immediately. This could have been done over the years just correcting it but we said no, we will contact every customer. We don't want to see any complaints from the customer. And the feedback has been actually very good. The order intake since we announced this is still very, very healthy. So we have -- I think we made the right decision in correcting it immediately although there is a high cost for it.

PPA, we have said during the year at around EUR10m. Ended up at EUR9.9m, so roughly that's where we are.

Earnings per share, EUR2.17 for the year.

Cash flow which was a question during the year, we've put in a lot of effort in the last quarter to look at the cash flow and also safeguarding that we should have as even a cash flow as possible over the year. If you remember, that after three quarters, the figure wasn't that good, but now it starts to be in a good level. And now we are going to work further on that to even improve it.

Key figures, nothing special. Gearing 34%. We have indicated that our target is to stay below 50%. Return on equity went down, yes, to 15.6% and so on. But still we have healthy figures.

Acquisitions, I don't go through all the acquisitions, I would just like to mention a few things. 14 acquisitions during the year. Worth mentioning from this list is Indital in India. So we have now a manufacturing base in India, we are growing, growing and growing. We bought two offshore companies, Plimsoll and Hydramarine. We have a very, very good offshore business now in this area. And then, last but not least, Balti, component and steel manufacturer in Narva, Estonia, to go into the lower cost manufacturing of components and to be able to control those components in-house.

Last but not least, Advanced Cargo Transshipment is a Technology Company in Holland. A number of people, skilled people in Automation which I think is our future is building up the Automation as an integral part of our offering.

2007 main achievements, there is four areas. Growth in Service. We've put a lot of effort in growing Service. We've put a lot of effort into growing the sales in Asia and managed to do that. We expanded our global presence. Then I'm talking about both geographical and product wise. As an example here on the picture you can see a very, very -- even if it doesn't look, but a very complicated offshore crane used by --- it's an AP Moller ship used on extremely deep water, which is an area that we are working with. Doesn't look that complicated, but you have to remember that the load on the end of the crane is about 4,000 meters below sea level, which means that there is 4,000 meters between the crane and the load, and that cannot move more than 1mm/2mm on the bottom. So it's extremely complicated product.

And these are types of products that will be used more and more in the future because when oil is staying at this high level, whether it's 100 or 60 it's still on a very, very high level, more and more countries are going out to deeper water. Now they are going North. That's the Russians. But that will take some time, especially Brazil. They go further out. They go to 3,000 meters. Norwegians go further out. Some focus between Australia and Indonesia. They go further out. India they go further out. So we see this kind of business having a good future for many years to come.

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Investment in R&D. As we have said in have lifted our R&D expenses from 1.2% of net sales to 1.5%. Maybe we could lift it even a bit more. Very important for us to be in automation, security, knowing what's in the container, stacking containers closer to each other, having more automated Kalmar products, having electrical cranes onboard ships, this is the future. And I think for us to compete against Asia's low cost manufacturers that's what we have to invest in and that's what we have done successfully over year 2007.

Last but not least, On the Move. If you remember one, one and a half year ago we started a strategy process where we said that we have the cornerstones, we have the people, we have the market leadership, we want to be one Company and we want to grow Services. We have done all this step by step doing the right things, but now we feel that it's time to really look at what real benefits can we have out of this On the Move program. Which means that combining, having a quicker look at where we can produce, what's our global footprint, do we need five companies in country X, do we need three, four back office functions for IT or for communications and HR and so on? No, we don't need. So we have started a big program of taking the advantage of our scale and we call it On the Move.

To do that I have also appointed Kari Heinisto to lead the program and it's a huge program as you can see from here. We are aiming for a profitability improvement of EUR80m to EUR100m with this program. So that's nothing that you can do besides your normal jobs. So at the same time we have appointed Eeva Makela, the new CFO of Cargotec, giving Kari then some time to concentrate for the coming years on getting this EUR100m profitability improvement.

As we are growing very fast, or as we are growing by the pace we are growing, faster and faster, that you have to evaluate yourself, what we are doing here is to safeguard that we don't employ people at the same pace as we are growing, that's why we are doing this. So this is not a program of laying off thousands of people. This is a program of seeing that we don't -- that we have a very efficient system that we can grow without adding much more people. And that we can invest in production facilities close to the customer.

When the market is going up it is very easy to say, hey, we'll take the Swedish and Finnish factories, we add on one part to the factory and then we can produce 20% more. But this benefit doesn't go to Europe. It goes to the Americas or it goes to Asia. So with this program we can now monitor and concentrate that hey we don't invest here, we will go there. We will look at how we can be more efficient. At the same time freeing capacity, people's capacity out there in the field to really take care of the customers. We are traditionally a Company that -- I mean based on our history where we have been growing products sold to a customer instead of asking a customer what type of product does he need. So this is a very, very big change program, but just part of our program of reaching at least 10% by 2011.

The last slide, outlook. We are going to continue the investment in the strategic development and we see no reason why the Service growth will not be as strong as it has been. We have a record high order book and, of course, you have to remember tomorrow is February 1. We have already done 10% of 2008, so we already know something about order intake 2008. And we are saying that the beginning of the year also the order intake looks very good, so we estimate the sales to grow as much 2008 as it grew 2007.

Order intake over the year, market looks very healthy but just to remember that the huge order intake that MacGREGOR had, to achieve a similar number this year could be a stretch but it's very, very difficult to say. What we analyze is, of course, ships being ordered, engines being ordered. Usually engines are ordered six to eight months before your order equipment on board a ship. So, as long as you see the engine makers having good order intake you could estimate us to have a good order intake as long as they plus six to eight months. There's how the shipping industry, or the ship building industry works.

Operating margin is expected to improve from the 2007 level. Yes, that's, of course, a must. We haven't changed the target for 2011 to be at least 10% or latest by 2011. We haven't changed that target so, of course, based on 2006 to 2007 we have to change the curve otherwise we will never reach.

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Last but not least the U.S. market continues weak and we cannot see any signs of improvement there, nothing, I mean. We are where we are and there's some machines sold there and then I'm talking mainly about the Hiab type of equipment. But we don't see any improvement signs there.

Okay, thank you.

QUESTIONS AND ANSWERS

Eeva Makela - Cargotec Corporation - SVP IR & Communications

Okay, ladies and gentlemen. We're ready for your questions. In addition to Mikael, we have our Deputy CEO Kari Heinisto here answering your questions as well as Group Controller Tina Naumanen and myself.

As said we're start with the questions here in the Helsinki audience. So please raise your hand and ask for a microphone.

Unidentified Audience Member

(Inaudible). I guess the question that's on everyone's mind, what happened to Kalmar's margins in Q4?

Mikael Makinen - Cargotec Corporation - President & CEO

What happened to Kalmar? Yes, if you look at the quarterly -- if you go back then you can see that it was lower Q2, higher Q3 and lower Q4. Unfortunately, it's kind of this kind of lumpy business because you have different type of profitability in the different businesses. No, there are no new grown muscles, things like that, no. But we have this big investment in R&D, so that affects it. But we will see clear improvement to that as well 2008. Unfortunately one quarter is a bit too short. You should look at least an average of two quarters or three quarters or a year to get some kind of.

Unidentified Audience Member

Just a follow up on this one. Could you please elaborate what is the kind of sustainable margin of Kalmar at the moment?

And then you referred to the improving margins in 2008. Does it refer to relative to Q4 or to 2008 as a whole?

Mikael Makinen - Cargotec Corporation - President & CEO

I'm referring to 2008 compared to 2007 on the whole year. And please keep in mind that we are saying that we are going to reach at least 10% by 2011, which means that the businesses, especially Kalmar and Hiab, has to be above 10% otherwise you cannot cover the cost of the administration.

I think there is a question over there also.

Jan Brannback - ABN Amro - Analyst

Jan Brannback, ABN Amro. First a question on the order book. As you mentioned, MacGREGOR has some huge order book. Could you somehow describe the maturity of that order book? How big a portion is due for delivery in '08 and how much beyond that roughly?

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And then a more technical question please. Depreciation has jumped quite clearly in the fourth quarter. Was there any impairment charges or any other one off items in that?

Mikael Makinen - Cargotec Corporation - President & CEO

Okay, Kari you can prepare for the depreciation. I'll take the order book now if you want to look at the figures.

Order book is, how should I say, order book for MacGREGOR means that our order book is full for 2008, biggest portion of 2009 and then it's going down. But of course the new orders are coming in there, then going to 2010 and 2011.

So if the world would stop today, nobody would order anything, then we would be worried in MacGREGOR towards the September/October 2009. That is where it would be the first signs. And MacGREGOR is still growing. The output of ship building is going up. We have new yards in India and China now taking orders.

Kari, the depreciation.

Kari Heinisto - Cargotec Corporation - Deputy CEO

The depreciation I think there is three things which explain it. One is that the acquisitions made increased depreciation towards the end of the year. Second thing is that in the depreciation we also had depreciation for customer finance included. And the third thing is that the PPS had an impact. So --

Jan Brannback - ABN Amro - Analyst

PPS had an impact.

Kari Heinisto - Cargotec Corporation - Deputy CEO

Yes, all those things. So there is no extraordinary things which would deviate from what we have said. So there is nothing, no impairment affecting it, no.

Sasu Ristimaki - SEB Enskilda - Analyst

It's Sasu Ristimaki, Enskilda.

Mikael Makinen - Cargotec Corporation - President & CEO

Now we cannot hear you.

Sasu Ristimaki - SEB Enskilda - Analyst

Can you hear me better now? To understand the MacGREGOR development, can you give an idea of the vessels that you are selling or installing, delivering equipment to now, when were those vessel orders placed with the shipyards?

And then a follow up again related to MacGREGOR. What is your delivery capacity at the moment? Is it roughly kind of if we annualize Q4, is that about what we can think of 2008 capacity double?

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Mikael Makinen - Cargotec Corporation - President & CEO

Okay, first of all there are very many different types of ships. But if you take a standard ship, it's ordered today then maybe within today and four months the engines are ordered and then six to eight months after that the equipment is ordered. And we roughly deliver the equipment eight months, 10 months before the ship is delivered, just to give you an idea. Okay, the ship delivery is not so interesting for you. But if you -- if again you track the order intake of ships, if it would be going down then you could say that the MacGREGOR order intake would be going down one year after that, just to give you an idea.

But I have to remind you that in these statistics when it's only a curve, there are so many different ship types and you have to remember that you have to analyze what type of ships have more interesting equipment for us and so on. So it's not as simple as just following the curve. For example, we are not in tankers at all. So if tankers are going up or down, it doesn't have any effect on us. Most of the other ship types we are in. So actually the right curve would be ships bought minus tankers.

Your second question was about the delivery capacity. Our -- in MacGREGOR, of course, you have to remember that they use -- we don't produce anything ourselves. We have our partner plant in China and already last year we have built up a program with our partner where they are heavily investing in new capacity. The capacity which means no, this is not the end product. This quarter, you can go higher than this. It will grow yes. The limiting factor is of course the shipbuilding in the world. So, it can go higher, but it cannot be double or triple this, no because there are no shipyards that can build so many ships.

Thomas O'Mallon - Banking Capital Markets - Analyst

Three questions. How big will the PPA's be in 2009 and also beyond that?

Secondly, the Kalmar margins you are almost promising they will be better in 2008 compared to 2007. What are the key drivers there just specified in a couple of bullet points?

And thirdly, you have quite clearly specified that your target savings of EUR80 to EUR100m of profitability improvement in the change program, and how have you reached just this number? What this is based on your calculations, and some kind of time frame to it?

Mikael Makinen - Cargotec Corporation - President & CEO

Yes, okay. PPA, Eeva, how much have we estimated the PPA to be 2008?

Eeva Makela - Cargotec Corporation - SVP IR & Communications

It's not going to be that high than 2007, but it's bigger than 2006. So it's between those, and then of course if we are having an additional acquisition

Mikael Makinen - Cargotec Corporation - President & CEO

Okay

Eeva Makela - Cargotec Corporation - SVP IR & Communications

It's the current

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Mikael Makinen - *Cargotec Corporation - President & CEO*

So far something between those figures. Your next question about the Kalmar margin improve, Kari you can prepare for the last question.

Kalmar margin improvement. Yes we have done a lot in Kalmar. Now with the situation today in the market, we go for more automated products. We don't go for volume. So we are more restrictive in the orders that we take. We have also changed the processes within our Kalmar unit, and then we are more and more manufacturing in lower cost countries. So it's a combination of the more systematic work to us improve, really improving the margin instead of going after market share. So there are no magic solutions, but it is more, very, very focused work on that. Kari, calculation.

Kari Heinisto - *Cargotec Corporation - Deputy CEO*

The calculation is based on that when we started this program planning it for first of all we addressed four different areas we talk about. The support systems, both technical and operative consolidation, we talk about our country organization, focusing on the front line. We talk about our solution, processes going more to from product to solutions, and we talk about our global footprint in the production. Those things have different timeframes. Some things are more straightforward, more easy to do. You can say that the two of them I mentioned first those are mainly internal related, our own operation, related. There we have a quite clear target what we should do and why, and the two other ones talking about changing our way of providing products, for production solutions and the global footprint will take more time and looking at the timeframe of the money as well. So, so, yes, that's the two first ones are significant, but the two latter ones have the majority of the money because they are more fundamental changes.

Operator

okay are there any more questions here in Helsinki?

Unidentified Audience Member

On The Move program. If you look at the targeted earnings improvement EUR80 to EUR100m, and then compare your sales growth targets and margin targets by 2011, then you are not quite at the 10% margin by this program alone. Is it fair to assume then that on top of this program you expect earnings improvement to come through volume -- volumes and elsewhere as well?

Mikael Makinen - *Cargotec Corporation - President & CEO*

Yes of course, yes. That's clear yes. That's a good question. You are totally right.

Eeva Makela - *Cargotec Corporation - SVP IR & Communications*

Okay, if there are no more questions at Helsinki, Operator we would be ready for the questions of our conference call participants.

Operator

(OPERATOR INSTRUCTIONS). Our first question comes from the line of Danielle Riley. Please go ahead.

Danielle Riley your line is live into the conference.

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Operator

The next question comes from the line of Julia Varesko. Please go ahead.

Julia Varesko - *JP Morgan - Analyst*

Hello this is Julia Varesko from JP Morgan. My first question is just to clarify your sales guidance. When you say that you expect to achieve the same growth rates in 2008 as in 2007, are you referring to organic growth or the 16% total you achieved in '07 versus '06?

My second question is on the order backlog in MacGREGOR. How secure is this order backlog?

And finally, just to clarify on about On the Move program, is the timing of this program consistent with your margin targets? So basically are you trying to achieve this EUR100m from what I understand cost savings by 2011? Thank you.

Mikael Makinen - *Cargotec Corporation - President & CEO*

Okay, first there you're talking about the sales, the guidance of sales growth year 2008. It's, we have said, we have said that sales growth in 2008 will be the same level as 2007. It's a total. We're talking about the total 16%, which is for 2007. So around that figure.

Julia Varesko - *JP Morgan - Analyst*

And is this mostly going then to be driven by MacGREGOR because your book to bill in the other businesses isn't particularly high, or are you just very confident that, for example, North America may recover for higher business, or that Kalmar will see some acceleration?

Mikael Makinen - *Cargotec Corporation - President & CEO*

Yes you are right. Of course, it's partly coming from MacGREGOR. Then I was saying that we still see a very big growth in the service business. Book to bill yes, but we have we have a healthy order book. So it's a combination of it. But no, we are not we are not dreaming that the US market would come back for Hiab no. It's based on new markets, Asia, Middle East, Europe and so on.

Then you have the order backlog of MacGREGOR. Based on my experience, very seldom ships are cancelled. They are renegotiated, a new owner, because usually the down payment of a ship is a big amount of money. So the ship owner, even if he has problems doesn't want the ship, he tries to sell the slot to someone else, and not to cancel the ship. You also have to remember that the big, let's call it risk in MacGREGOR would be that the steel price goes very much up, but most of the MacGREGOR projects, especially the hatch covers where there's a lot of steel, they are based on a steel clause which means that it's not our risk if the steel prices go up or down. So I think that it's -- the order backlog in MacGREGOR is healthy. It's long yes, but we don't see any big risks in that order book. On the Move Kari

Kari Heinisto - *Cargotec Corporation - Deputy CEO*

Depending on which part of the program we talk about, we can say that savings and profit improvements coming from internal things, support systems, country organizations, has a shorter timeframe and looking at the mode of operation changes in solutions and to footprint. So yes, we talk about timeframe which is 2010/2011 when things are ready.

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Julia Varesko - JP Morgan - Analyst

But is it correct to assume that all of these -- all of this EUR100m improvement will be cost driven?

Kari Heinisto - Cargotec Corporation - Deputy CEO

It will be driven, partly from the fact that with the same pipeline you can do things more. If you call it cost driven it may be we can also call it operations driven, so that we get more out of the same structure.

Julia Varesko - JP Morgan - Analyst

Okay, thank you.

Operator

Thank you. The next question comes from the line of Antti Suttelin. Please go ahead.

Antti Suttelin - Dansk Market Equities - Analyst

Thank you, can you hear me?

Operator

Yes we can.

Antti Suttelin - Dansk Market Equities - Analyst

Thank you. It's Antti Suttelin from Danske Market Equities. I have a question relating to MacGREGOR. We have seen some weakness in ship orders recently over the couple of few months. Do you consider the weakness as temporary or do you consider that it's a new weaker trend in ship ordering, likely to last for a longer period of time? Thank you.

Mikael Makinen - Cargotec Corporation - President & CEO

The weakening that we have seen, today I would still say that it's a temporary measure. It's actually, it's actually not driven by the need for ships or cautiousness by the ship owner. It's actually driven that the ship has more difficulties in financing. It's the banks that are -- it's the banks that are worried at the moment. It's driven by, it's driven by that. It's cautiousness from the bank side that has prolonged the process of ordering ships. So I would still call it temporary. We have not seen any signs of it being a change in the market situation.

Antti Suttelin - Dansk Market Equities - Analyst

So you wouldn't say it would be a change driven by the fact that ship owners are starting to see the quite massive growth in the fleet coming over the next few years. The owners still seem to believe that there is demand for it, or room for even new orders.

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Mikael Makinen - Cargotec Corporation - President & CEO

That's how we see it, and it's actually based on the fact that we don't see any increase in scrapping of ships. And you know that every time there's a real downturn coming, then the ship owners start to scrap their old ships, take them out of traffic in order to keep the day rates up for the newer ships which are making more money. And this has not happened yet. I think that would be the first, the first sign.

Antti Suttelin - Dansk Market Equities - Analyst

Okay, thank you.

Operator

The next question comes from the line of Miikka Kinnunen. Please go ahead.

Miikka Kinnunen - Carnegie - Analyst

Yes hello, it Miikka calling from Carnegie. Just on the R&D expenditure, on Group level you had about EUR15m increase last year. How much of that related to Kalmar?

And secondly, did you complete some of the R&D programs in Kalmar now towards the end of the year makes -- which makes you to believe that R&D spending in Kalmar would be lower in 2008 and if how much lower than in 2007? That's it.

Mikael Makinen - Cargotec Corporation - President & CEO

Yes, your first part of the question. Yes of course we have -- I mean there are R&D major part of it is related to Kalmar yes. Of course we have programs that have been ending, but we have also started new programs. So you will see -- you will still see quite a spending on R&D. And then you have to remember this R&D is actually something that is done together with customers. It's not so someone sits somewhere and develops a new product. It's a product that has been sold, then is delivered to the customer and then it's developed together with the customer. So it's kind of a this kind of approach and process. But it's not the traditional way of R&D, but it's development of products together with the customers. And yes, yes that will continue, but of course we hope that that will give more sales. It will give new products, new automation products, new products on the electrical side and so on.

Miikka Kinnunen - Carnegie - Analyst

So perhaps we should be more talking about kind of a reference project?

Mikael Makinen - Cargotec Corporation - President & CEO

Sorry

Miikka Kinnunen - Carnegie - Analyst

So we perhaps should be -- in Kalmar we should be more talking about cost of having these reference projects

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Mikael Makinen - *Cargotec Corporation - President & CEO*

Yes, yes that's true. Referenced, referenced yes, that's right. That's a good term that you can call it, reference, and further development of our Kalmar product and our Kalmar offering.

Miikka Kinnunen - *Carnegie - Analyst*

Yes, thanks.

Operator

The next question comes from the line of Sebastian Ubert. Please go ahead.

Sebastian Ubert - *UBS - Analyst*

Yes hello, good afternoon. Can you hear me?

Mikael Makinen - *Cargotec Corporation - President & CEO*

Yes

Sebastian Ubert - *UBS - Analyst*

Oh that's great. I have five questions please if I may. The one is on the outlook for the Hiab Division in Europe, especially by the background that, well we expect for example, the peak in the truck cycle to be in 2008, and so less demand in 2009. Then at MacGREGOR for the years 2011, 2012, a lot of shipyards already been booked with large vessels. What about smaller vessels? Is that also an attractive market for you?

Maybe you can elaborate a little bit on the US dollar developments. So which rate do you currently have in your budget for 2008 about your hedging strategies and the impact of say a percentage move in the US dollar?

On the Move program, just to follow up, where do you expect the biggest impact to be seen, in which of the three divisions? And then last, not least, well when you look at consensus estimates, they seem to look for some 10% growth this year, and an EBIT margin of 88.2%. How comfortable do you feel with that margin target? Is that something we could expect? Thank you very much.

Mikael Makinen - *Cargotec Corporation - President & CEO*

Sorry could you -- the last question once again.

Sebastian Ubert - *UBS - Analyst*

when I look at current expectations from consensus, the street is looking for sales growth of some 10%, which is clearly below your target of 16%. But on the margin level, you said that your target improved EBIT margins this year. Currently consensus is at 8.2%. How comfortable do you feel with this target? Is that what you expect or is it more in the direction say well this year some 7.7% when you exclude all the one off items?

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Mikael Makinen - Cargotec Corporation - President & CEO

Okay. Hiab Europe, how do we see Europe development in Hiab? Yes there are some markets in Europe where you can -- now the truck delivery time is so long it's very difficult to know what what's really happening here. But there are some markets that are let's call it soft turning. There are some markets that are still growing very fast. So if you take the total of Europe, including former East Europe, we see it as a very healthy market still. So outlook looks very good.

MacGREGOR 2011/2012 yes, big ships have been ordered and smaller vessels they also have cranes. We have long time said that we think that there will be -- they're still waiting for the big ordering of smaller container ships which can take load from example Hamburg to Finland or St Petersburg. These types of ships are still missing in the whole chain, and they have to be ordered one day. So very interesting for us.

Kari if you take the US rate, dollar rate and On the Move.

Kari Heinisto - Cargotec Corporation - Deputy CEO

First of all the US dollar rates, we have made our plans towards the end of the year, and I don't think there's no more to comment about that.

Then talking about our way of hedging policy, so we have said in our reporting that we have a hedging policy which is intending to cover the near future cash flow, so I think that is also giving the answer that in the most of the business. We don't have any speculation on which direction the currencies go.

Then concerning the long term project, if I go to that as well. So naturally if we have in MacGREGOR a project going several years ahead, so we are not playing with the currencies. We don't risk -- we make an agreement on.

And the On the Move question was—

Mikael Makinen - Cargotec Corporation - President & CEO

Which division.

Kari Heinisto - Cargotec Corporation - Deputy CEO

Which division yes. Saying that perhaps the only thing where I can immediately see a difference in, between the divisions is that the discussion about the footprint chain is not touching so much MacGREGOR. MacGREGOR's footprint is more global and actually more local based than the two other ones. Otherwise I don't see any difference in FX.

Mikael Makinen - Cargotec Corporation - President & CEO

Okay then there was the last question about our guidance for the year. There has to be a clear improvement at operating margin, as we have guided. 7.7 you said or 8.2, that's something that you have to figure out, but it's clear improvement.

Sebastian Ubert - UBS - Analyst

Okay, thank you very much.

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Operator

We currently have no further questions. (OPERATOR INSTRUCTIONS).

Operator

In the meantime do we have any final questions here in Helsinki?

Kari Heinisto - Cargotec Corporation - Deputy CEO

Yes two. Before you ask the questions, I'd just like to remind you about the US dollar. Why we don't talk about the US dollar is that yes it's hard with the present US dollar. But our -- we have a lot of manufacturing of components in China, for example, which is a US dollar country. And last but not least, I am very much of the opinion that a global company has to deal with exchange rates. It would be very easy to blame the exchange rate now, but one day it might be the other way around. I think it's our job to see that we have the footprint in the right places. To know where the markets are, to know what currency they are based on. That's our job. It's not our job to explain anything based on that.

Jari Harjunpaa - Evli Bank - Analyst

How about this Kalmar business in United States. How does that seem? Is the demand there still in the ports active or how is the situation?

Mikael Mäkinen - Cargotec Corporation - President & CEO

The demand is still there yes, because goods are being transported. Actually I heard yesterday that exports from United States is growing very fast today. I mean, US has become the low cost manufacturing country. So yes the Kalmar business is still there.

Jari Harjunpaa - Evli Bank - Analyst

I just need clarification on the guidance that the revenue growth for 2007 obviously includes acquisitions. So your guidance for 2008 is the targeted growth also after acquisitions that may happen during the year?

Mikael Mäkinen - Cargotec Corporation - President & CEO

Sorry, once again now

Jari Harjunpaa - Evli Bank - Analyst

Is the guidance for revenue growth, is that including acquisitions that may happen during the year?

Mikael Mäkinen - Cargotec Corporation - President & CEO

Yes. Yes. I mean they should happen very, very quickly if they should have any impact on this year.

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Tom Skogman - Handelsbanken - Analyst

We are now in the beginning of the year and you have not announced any like certain big one time projects in the Kalmar division for quite some time. Do you see some prospects during this year for some major contracts?

Mikael Makinen - Cargotec Corporation - President & CEO

There are many, many big projects going on, on the Kalmar, yes.

Tom Skogman - Handelsbanken - Analyst

But nothing is booked in the past like in the third and the fourth quarter that we don't know?

Mikael Makinen - Cargotec Corporation - President & CEO

Third and fourth quarter for big projects was very quiet, and that has to do with everybody's waiting will there be a total recession in the world or not. I mean the projects are there lined up. Some of them are very, very close to being orders. Everything is negotiated and so on, so it's kind of this market situation there. I think it really eased up now. So that's the good thing. I mean we haven't seen the number of projects decreasing.

Eeva Makela - Cargotec Corporation - SVP IR & Communications

Okay if there are no further questions either here in Helsinki or on the line, we thank you for your attention today.

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