

FINAL TRANSCRIPT

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PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to the Cargotec Corporation financial statements 2008 call with your host, Paula Liimatta. My name is Liz and I'll be your coordinator for today's conference. For the duration of the call, you will be on listen-only. However, at the end of the call, you will have the opportunity to ask questions. (Operator Instructions). I'm now handing you over to begin today's conference. Please go ahead. You may now begin your conference. You may now begin your conference call.

Paula Liimatta - *Cargotec Corporation - IR Manager*

Good afternoon, ladies and gentlemen, and welcome to Cargotec's financial statements 2008 presentation.

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Today, we have an audience here in Helsinki and also people listening to the presentation on the phone lines. We will start with the presentation by our President and CEO, Mikael Makinen. And after the presentation, we will have time to Q&A session. We'll start the Q&A session with questions from the audience here in Helsinki, and after that we can take questions from the people on the phone lines. Before asking your questions, please wait for a microphone here in Helsinki and state your company name and your name.

I think we are ready to start now. Please, Mikael.

Mikael Makinen - *Cargotec Corporation - President and CEO*

Ladies and gentlemen, good afternoon. I'll go -- I'll spend 15, 20 minutes on the presentation. And I thought that maybe this time we could spend a bit more time on what changes are going on in the Company, plus something about the outlook and then maybe a bit more questions and answers. But let's run through the figures.

If we look at the key issues -- do I have to say when I change slides or --?

Paula Liimatta - *Cargotec Corporation - IR Manager*

Yes, the number.

Mikael Makinen - *Cargotec Corporation - President and CEO*

Okay. So now we are on slide number two, key issues 2008. A year of two distinct halves. Very clearly, this spring we had our challenges, yes, but the market looked very nice. Everything was going fine. Then, we started to see some slowdown in -- first in Hiab, I'll come back to that, and then I'll come back to Kalmar and MacGREGOR as well. So I would say that if you -- we could really divide the year into two parts of it, but here let's go through the whole one.

The sales during 2008 was healthy, 13% increase. Nice, fine, going the way we had planned it. Service grew by 15%, a very good figure. We start to have a service business now that is substantial, close to EUR1b, EUR871m. And that has been my long-term target all the time, to drive up the service. Now it's 26% of the sales, could go up, even further up, and maybe reach one-third of the net sales, of the revenue.

We also had our challenges. In Kalmar, you have seen the releases we have given about the project management. This was really we had long-term, big projects in our pipeline, order intakes -- orders that had been taken 2006, early 2007. Many of them were more challenging than we anticipated. I'll come back to that also a bit later.

The order book is strong, EUR3b, gives us a good start for this year and a healthy continuation, especially in MacGREGOR, for the coming years.

We were also very quick in starting, initiating the capacity and cost reductions. Why was that? Then, I go to the last point. In On the Move program, one plan was to look at the global footprint. How do we look? How should we look year 2011/2012?

So we were very, very fast in deciding we speed it up. This is how we do it. We start in several locations. And I'm very happy about how that has proceeded. Of course, it's very unfortunate when you have to cut capacity and do cost reductions. But I think we have done it in a very professional and quick manner.

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On the Move, as such, I'm also very happy with the On the Move proceedings. We have done a good job. We can now already see the cost saving, the benefits coming in from that. We can see -- we will see a bit later more customer focus than we have had before. So that On the Move has been a real success during 2008.

Key figures. As I said, sales was growing. Yes, sorry, I'm at slide number three now. Orders received, much in line with what we anticipated. Yes, down 8% year-on-year, but on the other hand we have to remember that the huge order book that we had in MacGREGOR could not continue forever. And that's where you could see, towards the end of the year, that there is a slowdown in MacGREGOR orders. Actually, it has very little to do with the financial situation in the world. It's just a leveling out that we anticipated already one, one and a half year ago, that one day it will come.

Operating profit, of course we cannot be happy with that. Especially quarter four was a disappointment and there we had again the cost issues on Kalmar. I'll come back to that a bit later. And then we saw a real, real slowdown in Hiab.

On this slide you also see the dividend, proposed dividend, EUR0.60 per share and earnings per share EUR1.91.

Slide number four, order intake slowed down. First we saw it -- of course you'll remember we have seen it already and informed about the slowdown in United States for Hiab business H2, second half of 2008. We saw it coming to Europe, hitting especially Hiab. Kalmar and MacGREGOR, still a fairly good order intake. MacGREGOR, you could see at the end of the year the slowdown. Kalmar, you can see that there are more postponement of projects. And they're not really postponements. It's a postponement of making the decision. I don't know today what it means. And as I said, MacGREGOR had the slowdown in Q4, which was anticipated.

Cancellations, EUR119m in MacGREGOR in Q4. So it's the net figure that you see in the order intake. So we are taking the cancellation immediately. These are mainly ships. They have no -- they are for deliveries 2010/2011, so there are no 2009 impacts.

On slide number five, good growth in service and Asia Pacific. As I said earlier, we have been pushing very much for growing service worldwide. And we have some very exciting concepts, a very good organization, good way of working in service at the moment.

I'm also happy that we managed to grow in Asia Pacific. It's also been one of my long-term targets that we have to be stronger in Asia Pacific. We cannot continue to be an only European company. Of course, I would like to have more revenue in Americas as well. But as I said, Hiab was very strong in North America and there we saw a real slowdown already one year ago.

Cash flow, at slide number six. High order intake in MacGREGOR at the beginning of the year and last year gives, of course, a good amount of advances that we're getting, have a positive impact on the cash flow.

We have a very high order book. We have a very high delivery from Kalmar end November, December, January, February, which means that we tie up in work in progress quite a lot in Kalmar at the moment. I don't see that as a big problem, because that money should come in immediately when all those are delivered.

Inventories. You have to remember that half a year ago, one of the most common question that I got was do you have enough components. So our sourcing people spend a lot of time on safeguarding that we get the components.

What happens is that you buy in components, maybe you stock too much of it, you start to get it in. And then, when the slowdown comes, it takes normally -- because your contracts are quarterly contracts, maybe six-month contract but normally quarterly contract, so you get in too many components in the beginning. And that has tied up inventories at the moment. Again, we are working on that. We have stopped the extra deliveries. So that should level out early this year or it will level out.

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Then, you have to be very, very careful with the receivables and we are working hard on that, to see that we also redeem the money. In this market situation, especially in Hiab, we haven't seen any big problem but I'm pushing very much that the receivables don't increase.

If we then look at the investments, we have -- we bought some companies early 2007, 2008 already a few, also some of them. But on the other hand, we started to invest in our own facilities, and that has to do with the global footprint that I've been working on, to have a real global footprint.

Slide number seven, nothing new on this slide. I just want to highlight here that we have a healthy financial structure and I think that's something that everybody has to remember. In today's situation, I think, these are the companies that will survive, the companies that have a healthy financing structure. We have long-term credit lines maturing 2010, 2012, 2013. So, from that point of view, I must say that we are in a good situation.

If we then look at the business areas, let's start with Hiab. That's slide number eight. As I said, weakening in Europe. Not only that, the second bullet point, the raw material and components that you are buying in a market that is going up and then the market starts to go down, the world market price for your products is going down, but you still have in your stock components that you have bought at a higher price.

So, it's not so that the minute the steel prices go down all our components go down. No, again, there is this one-quarter lag in time. And I think that's also something that the whole market is suffering from at the moment. And we will see that leveling out during the following months, one, two months.

We also announced the closure of one factory. We closed our factory in Salo because we had four crane manufacturing factories in Europe and that was already, according to our plan on the global footprint, too many factories in Europe. So we decided that we close one of them, concentrate on the three other ones. Do we need three in Europe? I don't know. We need three factories. Should they all be in Europe? We have to see. It depends on the market, depends on how we go on with the plans.

The final bullet point here, the short lead time. I think it's very important because when I read some of the reports from the market, from analysts, people sometimes tend to mix that what is Cargotec, what is MacGREGOR, what is Hiab, what is Kalmar. And that's why I want to bring up this question about Hiab is a business with very short lead time. Means that it goes fast down, but it also means that it goes fast up. And I think this is worthwhile to remember, a short cycle in this business. Very -- you have to be very, very alert so that you can increase the volume whenever needed.

Figures, no, we cannot be happy with the result 2008, no, especially quarter four. Quarter four was bleak.

Kalmar, slide number nine. If I start with the last bullet point, the lead time, six to nine months. So here we're talking about a business driven by container volume, but not only container volume. Also, in the today's world where there's more security required, more automation required, more efficiency, more environmentally friendly operation of harbors and port -- sorry, ports. I think this is a good driver for that business. Lead time six to nine months, which means that nothing happens overnight. But it doesn't go that fast down, but it doesn't come that fast up after a real recession either.

Container market today, mixed. Some container markets are very much down. Up till quarter four, they were up worldwide. Now, we can see some softening in some markets, while other markets are still showing good volumes.

As I said earlier, investment postponement is one area, or let's say one let's call it concern that we have in Kalmar at the moment. Our customers are postponing the decisions. Of course, it's not very fashionable today for -- there are no Boards today that would like to make a decision that, yes, we go ahead, we invest in this and that.

So I would say that November -- second half of November, December, January, are months where the whole world has stopped. It doesn't mean that it will stop -- it doesn't mean that it stops in February either. We at Christmas, we have this kind of a situation

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where everybody is seeing what's happening in the world. So I'm very excited to see what's happening in February and March. I think those are some kind of guidelines of what will happen in the market.

Order intake was still -- there was still an order intake during Q4, so it didn't mean that it totally stopped, but it meant that there is a postponement of investment. And when we talk to our customers, they say, 'No, no, we have not stopped the projects but we have to look at it', whatever that means.

Then, we have these very unfortunate project overruns. And I've just seen that Pekka has arrived here, Pekka Vauramo, who can then answer questions, if you have questions about that. But the project overruns that you have seen, in total EUR16m during the year 2008. That's a real disappointment. But on the other hand, it's also brought up because we have new projects coming, we are giving quotations. And I'm actually very happy that we don't have a huge order book of big projects at the moment. Now, we have the right procedures, right way of working, so from that point of view at least we have limited the damage.

MacGREGOR - good profitability, good order intake. Market was still lively in Q4, but then a very sudden drop in order intake. To me, with a big order book, with all the shipyards being full in Asia, that's not for me a very big concern, the order book of MacGREGOR. It would have been a bigger concern if it just would have continued and continued to grow.

Cancellations, EUR119m. Is that a lot? The order book is EUR2b. Then you have cancellations of EUR120m, confirmed cancellations. Is that a lot? No. Actually, in my opinion, it's not very much.

This is a business where you have a long lead time. EUR2b order book means that we foresee a growth 2009 as well. We have many, many different ship types. The mixed offshore market, you can say that there are new projects coming in. Again, deeper water, more sophisticated equipment needed, while some other markets, bulk carriers, for example, nobody orders bulk carriers at the moment. So, a very interesting market. I'm very happy with the development there and also with the forecast for this year.

Services, close to EUR900m. That's slide number 11. US was the only area where we could see some kind of a slowdown in service. Their economic uncertainty had gone on for so many months that some of the customers start to postpone also the servicing of their equipment. At the same time, some customers had lower utilization rates or they didn't need to do the service.

But on the other hand, I could say that now, with our new service setup, we have a better flexibility; we have a better way of serving our customers. And we have more and more customers who are interested in really understanding the lifetime cost, not only what is the lowest price for a spare part.

As I said, 26% of our net sales come from service. I would like to push it up to maybe one-third, maybe 40% of our revenue. And I would not like it to be pushed up by the revenue of the new business going down.

On slide number 12, we're talking about the globalization of our supply and the global footprint. As I said earlier, I'm very happy with the development in our On the Move program. On this slide, you can see a number of dots. It's not so important, the color and so.

But the message here is yes, we had to close two factories. We closed one in Finland, we closed one in USA. At the same time, all the investments have gone into changing our global footprint. If you look at it from the Western Hemisphere, we have a new multi-assembly unit in United States, or it's not a new, it's a Kalmar factory. We also moved the Hiab production there in October.

There's a new dot in Texas. That's our military products that are produced there, new factory that was opened on December 5, got a lot of publicity, actually. It created 250 jobs. And 250 jobs in United States, in a country with hundred million or a few hundred million people, is not very much but this showed that 250 jobs meant a lot. Very good development, starting to produce good products these days.

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If we look at Europe, you can see a green dot in Sweden. That's where we reorganized, combined two sites, created more efficiency. You see red dots below Finland. That's our facility in Narva, Estonia. Now the investments have been done, we are ramping up there. Very exciting, because it's close to our factories in Finland and Sweden.

Then you see a red dot in Poland. Poland, something that we announced already a few months ago, we announced that we are looking for a site in Poland to do a bigger facility for mainly Kalmar type of products. That project is going on. It's a big investment. Some of the cash flow will -- I mean part of the investment, the cash flow you will see this year. Some of it will come the next year. And then it should be on-stream.

If we then go to Asia, we doubled our capacity in Korea in our factory. We opened up a new factory in Tianjin. We have a Shanghai factory that we have developed for products of our -- both types, both Kalmar and Hiab. And if you go further south, we are doubling the capacity in our Malaysian factory and also doing more investments into our facilities in Singapore, so that we can move some of the products from our Norwegian factory into the Singapore facility. And from Singapore, the easier products will be moved into our Surabaya, to our factory in Indonesia. So we go everything down to lower-cost countries.

Slide number 13, the new Cargotec governance model. Some of you might remember that we appointed Axel Leijonhufvud to be Head of the Supply of Cargotec. And we also announced that Pekka Vauramo will be the Deputy CEO. What did this mean? We also made an announcement in relation to that today. But the whole idea of the governance model is to take out supply from Hiab, MacGREGOR and Kalmar, put it under one hat, create a unit and their only, only, only task is to drive down the manufacturing cost. Not sub-optimized by each other, but just drive down the manufacturing cost.

At the same time, we created a process support box. We take out from Kalmar, Hiab and MacGREGOR everything that has to do with process efficiency and efficiency in the Company. And that's headed by Kari Heinisto. Why did we do this? Because we wanted the businesses to concentrate purely on customer solutions and customers, and not sub-optimize about where should we produce the -- what is the efficient IT system or what should we do like this. No, you concentrate on that. And that's Pekka Vauramo's job.

So we have a Customer Solutions Board group of people who are looking at how can we be more customer-friendly. You might have a question of how do we externally report, yes? Externally, we report Hiab, Kalmar and MacGREGOR. But we want to have a very, very clear, very efficient, much faster way of making decisions than we have had before.

Of course, in a company like this, you need the finance with Eeva, Eeva Sipila, you need HR, Kirsi Nuotto. And then we have a new box called corporate development. That's for developing the long-term strategy of this Group. And that's headed by Harald de Graaf, who is also in charge of developing the service business.

So, with this model, I must say that we have tested it in the organization. It starts from today. And I must say that the feedback we have got is extremely positive. And now we work as one company, we work in a very efficient way. And I think that all the initiatives that we have started, now we have got away all that internal friction within the Company. So I'm very happy with this development.

Slide number 14, opportunities and priorities 2009. Sometimes we are told that are we too pessimistic, don't you see any growth year 2009. I must say that I think that one of the priorities 2009 is the rapid implementation of capacity and cost structure cuts. I think that's extremely important. I don't think anyone in the world knows what the world looks like second half of 2009. And it's always easy to ramp up the production. It's much more complicated to take it down. So I want to have very quickly the capacity and cost structure cuts done, because then I think that we are a more efficient company.

New business segments. I see a lot of business segments, whether it's recycling, some other special business areas, where we could do a lot. And they are less cyclical, less cyclical than the normal businesses. And we are working on those.

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Third bullet point, energy and environmental efficiency, safety and security, R&D related to that and technology. I think why I listed it here was that I think that we still have to develop those areas. We should not stop on developing this Company and this specific know-how, because then we are not in a good shape for the years to come. So I want to see now cost structure cuts, capacity cuts and R&D spending at the same time.

Service, we have been talking about service a lot. I still see a lot of potential in service growth. Remember, now close to EUR900m, while the world market is EUR7.2b in our sector. Still big opportunities to grow.

Government support to construction. I think that's an opportunity 2009. That's an opportunity for Hiab. Because all type of construction, then you need trucks and you need especially those types of trucks that have cargo handling equipment.

Risk management, also an area that we have to look into, whether it's the risk management of cancellation of orders, how to handle those, or how we do our own internal procedures. I think that's an area for focus 2009.

On the Move, last but not least, going on very well. We have, in a number of countries, already one country organization. We really changed the structure. We looked at the cost savings today. They are coming from small streams, those cost savings. It's not millions here and millions there. It could be EUR100,000 here, EUR100,000 there. But in the end, big money involved in that. EUR20m to EUR30m, we have said when we launched the On the Move program, and we are well on the track for that.

Uncertain economic situation. Difficult to estimate the demand. I must say that we spent a lot of time in looking at the slide number 15. But this is how the world looks today. We might even have some possible cancellations or delays. But on the other hand, I see a sales growth potential in MacGREGOR and service, while I must say that Hiab and Kalmar expectation to decline 2008 -- from 2008, sorry. How much? This is so very difficult to say today. That's the prediction today.

The last bullet point here is that approximately EUR16m of the EUR35m restructuring costs that we announced will be in 2009. We managed to take EUR19m of it year 2008, so the EUR16m will be for 2009.

That's it. Do you have any questions or comments or concerns?

QUESTIONS AND ANSWERS

Paula Liimatta - Cargotec Corporation - IR Manager

Let's start with the questions here in Helsinki, and please ask for the microphone and state your company and your name before asking. We also have here our Deputy CEOs, Kari Heinisto and Pekka Vauramo, and also our CFO, Eeva Sipila, to answer your questions. Please, Tom.

Tom Skogman - Handelsbanken - Analyst

Yes. This is Tom Skogman from Handelsbanken. First of all, then, you have quite a few different factories and divisions. How do you see the workload situation by factory? Is it quite a good balance or a bad balance for the start of the year?

And then, I have a question on prepayments. Have you seen any reasons that you will have to return some of the prepayments when orders are cancelled?

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Mikael Makinen - Cargotec Corporation - President and CEO

If we look at the factories -- workload in the factories, of course there are differences. But that was one of the reasons why we very quickly decided to close the Salo factory, so that we can at least safeguard, so that we don't have 10%, 20% down on all factories but so that we can keep as many factories running at a higher utilization rate than it would be in the other case. Then, of course, we have to remember that we have some flexibility in our factories. They have been working on a very high load, which means that you have hired in people. We have not renewed their contracts and so on. So I would say that from that point of view it's not too bad at the moment.

Then, if we then look at your second question about the prepayments, of course we have got -- the massive order intake in MacGREGOR, yes, you've got a lot of prepayments from them. Cancellations, actually, I must say that, based on my previous experiences here, very seldom you pay back. It will be kind of a credit for coming orders. But as I said, those EUR119m cancellations that we have, they are confirmed cancellations but the final negotiations are not finished in those. They normally take a long time and the world changes. But no, I don't see that as a big concern.

Tom Skogman - Handelsbanken - Analyst

If I may continue, just on one question on the competition side on Kalmar. The order intake was still quite good and could you give a view on how it's looking for the whole market? And Fantuzzi, your key competitor, was about to be acquired and that didn't happen. And you have a lot of small companies also competing in this area. And yes, a couple of words about this, what do you see happening in the competition field?

Mikael Makinen - Cargotec Corporation - President and CEO

In the competition field, maybe, if we would then look at Hiab and Kalmar as one group, I would like to answer that our feeling is that the small competitors who are not financially strong, they will have real difficulties. Without naming any of them, but I think that in this market situation. On the Hiab side, also you have some competitors who are using distributors, so they have got a lot of equipment back, a lot of cranes back. That's how we see it. So I think that for the small ones it will be very, very tough.

You mentioned Fantuzzi. Yes, we have seen in the paper that the deal with Terex didn't go through but I don't know what will happen on that deal. It's too early to say.

Lauri Saarela - Sofia Bank - Analyst

Thank you. It's Lauri Saarela from Sofia Bank. I was wondering about the cost reductions and the capacity cuts. What will be the breakeven point in Hiab and in Kalmar after these cuts? And when would you expect that this EUR25m of benefits you have disclosed would materialize?

Mikael Makinen - Cargotec Corporation - President and CEO

Part of it will, of course, materialize 2009, then more -- we have said that it's a program that runs even a bit longer than our 2011 target. So during this period it will come, but you will see it coming already this year.

Where is the breakeven for us? Okay, we have not given that breakeven, where it's coming. But that's exactly the reason why I said that this restructuring and cost cuts are so important today. But the breakeven would be much higher if we wouldn't do that. So I think you have to look at it, day by day, where it's going.

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Lauri Saarela - *Sofia Bank - Analyst*

Could you try to give us a rough indication, especially on Hiab? Because if you look at the order intake, one would assume that you will face a quite dramatic drop in sales and modeling your cost base with this kind of new information coming all the time, it's a bit of a challenge.

Mikael Makinen - *Cargotec Corporation - President and CEO*

It's a bit of a challenge. Yes, that's what it is. I think it's a challenge for everybody. Something that you have to remember about Hiab is that we are in other segments, like government businesses, as I said, recycling, those businesses that are not prone to go down during this period. So it's not so that when there are not a single truck sold that means that the Hiab business goes to zero, no. So there is always this base business. I think that unfortunately you have to model that in.

Lauri Saarela - *Sofia Bank - Analyst*

Then, one more question on the Kalmar order you got from the US Department of Defense. When will that project start and how much would you expect to book sales in 2009 from that project?

Mikael Makinen - *Cargotec Corporation - President and CEO*

I don't remember how we have -- how much we have disclosed. Have we disclosed any? How much was it? EUR100m? First batch, EUR100m. So we have disclosed it, yes.

Eeva Sipila - *Cargotec Corporation - CFO*

Yes. This is Eeva Sipila. So what we said when announcing the deal was that the first batch is confirmed about EUR100m. And that production has started. It's still part of the early machines are manufactured in Sweden and then the remainder will be in the US, once the Texas factory, what our CEO mentioned, will be finalized and ready.

Mikael Makinen - *Cargotec Corporation - President and CEO*

So EUR100m, the first batch, mainly delivered in 2009.

Erkki Vesola - *eQ Bank - Analyst*

Erkki Vesola, eQ Bank. A couple of questions, if that's okay. First, just a clarification on the cancelled orders at MacGREGOR. Were they actually deducted from the Q4 order intake, as I understood it, or so --?

Mikael Makinen - *Cargotec Corporation - President and CEO*

Yes. So it's net, what you have seen there.

Erkki Vesola - *eQ Bank - Analyst*

So without them the Q4 order intake would have been in the order of, say, EUR250m?

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Mikael Makinen - Cargotec Corporation - President and CEO

Yes.

Erkki Vesola - eQ Bank - Analyst

Okay. And then, secondly, could you a little bit go more into detail when it comes to MacGREGOR's order backlog? Could you describe the structure by ship types? And where do you actually see the biggest risks or where do you see most risks of cancellation there?

Mikael Makinen - Cargotec Corporation - President and CEO

We have not split it up by ship types, but answering it this way, that of course you have seen in the press that there have been cancellations on container ships, bulk carriers. But this is kind of a matrix. You have to remember that some of the cancellations are because of the ship owner. Some of the cancellations are because the shipyard is too weak to run through the project, not the ship owner. So it's not only a ship type. You have to put in here, in a matrix, also the shipyard.

Erkki Vesola - eQ Bank - Analyst

So this EUR119m, or was it -- it's going to be a continuum, am I right? So we should probably expect cancellations of the same magnitude in the quarters going forward?

Mikael Makinen - Cargotec Corporation - President and CEO

I think what's happening is that in the financial crisis today that it's kind of a boom of cancellations now. You will not see it continuing like this. But if you rephrase your question and ask how big part of the order book, in our estimation, could be cancelled, then I would answer 20%. And remember, the order book is EUR2b. That gives you EUR400m.

Erkki Vesola - eQ Bank - Analyst

Okay. Thanks.

Olaf Kristenen - Hellingens Salomon - Analyst

[Olaf Kristenen] from [Hellingens Salomon]. Actually, a little follow-up to his question. If you think of that 20% which is at the risk of being cancelled, how largely will it concern deliveries -- orders to be delivered this year and how largely will the risk concern later orders?

Mikael Makinen - Cargotec Corporation - President and CEO

Definitely, we will see very, very few cancellations that would affect the revenue 2009 and the biggest portion would be 2010/2011. It's usually so that it's a long series of ship, then the ship owner either postpone the rest of the ship or cancel the -- three plus three ships, so he cancels the three ships.

Olaf Kristenen - Hellingens Salomon - Analyst

Thanks.

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Miikka Kinnunen - *Carnegie - Analyst*

Miikka Kinnunen from Carnegie. Just a question on difference in the reductions. You have announced, I think, a layoff of 1,000 people so far. Given the declines in net sales that you anticipate in Hiab and Kalmar, do you think that's a sufficient number or are you going to take further measures?

Mikael Makinen - *Cargotec Corporation - President and CEO*

We will take all those measures needed to safeguard our profitability. I cannot say more than that. But remember, remember that those announcements of those 1,200 people, there is a certain period before they leave the Company, so you have not seen that full effect. And you also have to remember that we made an announcement about temporary -- possible temporary layoffs in Finland for 900 people. And this is exactly the safeguard. If the capacity goes down for a certain period, then we can immediately -- we have had the negotiation, then we can immediately start the temporary layoffs. That's up to three months for 2009.

Miikka Kinnunen - *Carnegie - Analyst*

Then, can I ask just another small question? Of course I understand the lack of visibility that you have on the demand but in Hiab, which has come down already a fair amount from the peak levels, any feeling that we could be there at the bottom of the cycle or could the first half be even lower than what we saw in the fourth quarter?

Mikael Makinen - *Cargotec Corporation - President and CEO*

That's not a small question. But as I said, the market is very much -- very down at the moment, yes. So, from that point of view, yes, you could go further down. On the other hand -- that's why one of the bullet points about this government. You have already seen, in United States you see some increased activity. Doesn't mean that there are orders, but there are more requests. So it's a balance between these two. I don't know. I cannot say yes or no.

Sasu Ristimäki - *Enskilda - Analyst*

Yes. It's Sasu Ristimäki from Enskilda. Your net debt, or interest-bearing net debt, to be specific, is approximately EUR500m now. And last year, which was probably the peak year of the cycle, you were cash flow negative before making acquisitions. At what stage do you start getting worried?

Mikael Makinen - *Cargotec Corporation - President and CEO*

Sorry, I could not hear you.

Sasu Ristimäki - *Enskilda - Analyst*

At what stage do you start getting worried about the balance sheet?

Mikael Makinen - *Cargotec Corporation - President and CEO*

(Inaudible). No, joke aside, I must say that I'm not worried from that point of view. I feel that we have it fairly good under control, what we are doing. So I would not like to give you an exact figure but not yet, no.

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Sasu Ristimäki - *Enskilda - Analyst*

Can you specify do you have any covenants on your debt that we should be aware of?

Mikael Makinen - *Cargotec Corporation - President and CEO*

Eeva, do you want to --?

Eeva Sipilä - *Cargotec Corporation - CFO*

Yes. Most of our debt has one key covenant related to gearing, gearing of 125%, so we consider that there is significant leeway for that.

Sasu Ristimäki - *Enskilda - Analyst*

And finally, just a quick follow-on, then. In the final audited accounts, do you anticipate any risk of impairments of intangibles relating to the acquisitions that you've done in recent years?

Eeva Sipilä - *Cargotec Corporation - CFO*

Our accounts are audited as of today, so what you see is the final result. The annual report will be available next week, with all the notes.

Sasu Ristimäki - *Enskilda - Analyst*

Okay. Thank you.

Annuikka Lilu - *Starzna Business Weekly - Media*

[Annuikka Lilu], [Starzna] Business Weekly. Could you explain a little bit the project overruns in Kalmar? Are they just bad luck accidental mistakes or some systematic problems in the way they work?

Mikael Makinen - *Cargotec Corporation - President and CEO*

Okay. Maybe Pekka, Pekka Vauramo.

Pekka Vauramo - *Cargotec Corporation - SEVP and Deputy CEO*

Maybe it is a combination of a little bit of everything. I think I have been here telling earlier on something about these projects.

First of all, we were in very strong growth mode at the time, when the orders for those projects were booked. And how it turned out, the projects were not as good as we expected. We had also -- in a couple of the projects, we had a very big part of R&D that was part of the project. And of course, if there is R&D on a project there is always a risk and this risk unfortunately has realized, mainly in terms of timetable relating to the project, meaning that delivery has been postponed and it has caused a lot of costs for us. Then, the unfortunate thing of steel prices did hit us as well during last year and that was something that we were not able to foresee in a couple of those projects. And these are the main reasons for these ones.

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We have taken several actions to correct the situation. We've had some external help in that one. We have established the project management office that will oversee all our projects. Project management will be provided by the office. And we have also made some internal transfers in personnel from MacGREGOR, which is a project business 100%. And we are about to take some of the tools in use that MacGREGOR is using and we feel that in future projects we are in much better shape.

Paula Liimatta - Cargotec Corporation - IR Manager

Okay. If we don't have any more questions here in Helsinki, we can take the questions from the people on the phone lines. Operator, please.

Operator

Thank you. (Operator Instructions). Your first question comes from Sebastian Ubert. Please go ahead.

Sebastian Ubert - UBS - Analyst

Yes. Good afternoon, ladies and gentlemen. Sebastian Ubert from UBS in Frankfurt. Can you please give us a breakdown of the order book in MacGREGOR, how much of that is for deliveries in 2009, 2010 and beyond?

And maybe you can also give us some more insight to the cancellations. You reported that order intake in the fourth quarter was net, meaning including the cancellations. But when I just take your order backlog from year-end 2007 and I add up the new orders in 2008 and subtract the sales, then I have a debt of roughly EUR170m. Can you explain that to me? Many thanks.

Mikael Makinen - Cargotec Corporation - President and CEO

I think the difference that you have there is -- first of all, in these figures is of course related to service. That's what you don't see. It's coming as order intake, very quickly going out, some of it going over the month and some of it not going.

The split up for the order book, Eeva, do we have the -- we have not given a split up of the order book for these years.

Eeva Sipila - Cargotec Corporation - CFO

In the previous report, we said that around 85% of the total MacGREGOR order book will be booked as net sales by the end of 2010, so roughly that level.

Sebastian Ubert - UBS - Analyst

Okay. Thank you.

Operator

Thank you for your question. Your next question comes from Antti Suttelin. Please go ahead.

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Antti Suttelin - Danske Markets - Analyst

Hello. This is (technical difficulty) year ago that you launched this program and as far as I'm updated you haven't, until today, given any kind of tangible figure. How much -- how many employees have been affected by this program or how much cost savings this program has generated you at this point? Would you please give us a bit of a feeling what's going on, please?

Mikael Makinen - Cargotec Corporation - President and CEO

Kari, do you want to --?

Kari Heinisto - Cargotec Corporation - SEVP and Deputy CEO

Unfortunately -- this is Kari Heinisto speaking. Unfortunately, I did not hear the beginning of the question, but I understand that it was a question of On the Move program.

Antti Suttelin - Danske Markets - Analyst

Yes, that's right. If you could just give some tangible numbers on how much savings have been generated or how many employees have been affected.

Kari Heinisto - Cargotec Corporation - SEVP and Deputy CEO

If we start, first of all, from the structure of the program. So there was -- one of the major activities was the supply chain or production put in the chains. And in that stage we can say that those projects we have announced, the investments, they are ongoing and we talk about substantial move from higher-cost countries to lower-cost countries. And you cannot say that we have achieved much savings yet because most of those transfers are under their way.

Then, looking at the other major issue was moving to country -- companies, one company per country. Those companies have started mainly January 1, 2009, as the plan was. So we have merged companies in all major companies, Finland, Sweden, USA, Singapore, merging in Central European countries. So also those savings partly are overlapping with the 1,000 people reduction, because those people -- that part which is going from that (inaudible) side, so you cannot separate those people from On the Move original target.

Then, the issue of system changes, they are ongoing as well, harmonizing the information management systems and going to the same platforms. So I think those are those things which are happening now.

Antti Suttelin - Danske Markets - Analyst

Okay. Thank you. And if I just may, another one as well. On goodwill, it seems that the operating earnings, especially in Hiab, are getting extremely weak. At what point would you consider it as prudent to write off the goodwill, at least in Hiab?

Mikael Makinen - Cargotec Corporation - President and CEO

Eeva.

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Eeva Sipila - *Cargotec Corporation - CFO*

Well, the goodwill analysis is based on several years' of cash generation assumptions. So you would certainly require a view that the market is not only down now because of the financial crisis, but we are into some kind of a multi-year recession globally, without cargo handling. So it's obviously related. It's not a one-year issue. And I would say we've obviously looked at it and tried to make a prudent analysis and [sensitivity on it] and there will be some additional information also in the notes of the annual report provided. But no impairments, based on those -- on our calculations and estimates.

Antti Suttelin - *Danske Markets - Analyst*

Okay. Thank you. That's all.

Operator

Thank you for your question. We have a question now from Sebastian Ubert. Please go ahead.

Sebastian Ubert - *UBS - Analyst*

Yes, thank you. I've got one follow-up question. Maybe you can comment on the high profitability of the MacGREGOR division in the fourth quarter, when we have seen an EBIT margin of above 10%, versus EBIT margin of around 7% to 8% in the previous quarters. Many thanks.

Mikael Makinen - *Cargotec Corporation - President and CEO*

EBIT margin in quarter four of MacGREGOR, yes, it was a good figure. We have a healthy order book, so it should not change that much in a healthy order book. On the other hand, it's a project business so there is variation between the quarters.

Sebastian Ubert - *UBS - Analyst*

Okay. Thank you.

Operator

Thank you. We currently have no questions coming through. (Operator Instructions).

Paula Liimatta - *Cargotec Corporation - IR Manager*

Do we have any more questions here in Helsinki? Yes, at least one question here.

Unidentified Audience Member

Yes, (inaudible). You had some EUR13m net financial expenses in the fourth quarter. Could you go a little bit into detail of what was under that figure? That looks very high.

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Eeva Sipila - *Cargotec Corporation - CFO*

This is Eeva Sipila. Nothing specific as such. There was some more interest expense than in the previous quarter. The effects of, just now, the recent down -- interest rates coming down don't come that quickly through. So we still saw in some of the -- none of the long-term loans but quite a bit of the credit pool and those [upper limits] we use globally. So that's where it comes from, from a variety of smaller issues. We would now, obviously, as their interest rates have significantly come down, expect it to come a bit lower.

Unidentified Audience Member

So no ForEx or derivative issues there?

Eeva Sipila - *Cargotec Corporation - CFO*

Nothing unordinary.

Unidentified Audience Member

Thanks.

Olaf Kristenen - *Hellingen Salomon - Analyst*

Olaf Kristenen, Hellingen Salomon again. Currencies related question. Lately, Swedish krona has declined against euro. I would like to know what kind of benefit did you get from that, if any, and how large would that be?

Mikael Makinen - *Cargotec Corporation - President and CEO*

Eeva, do you want to elaborate? I can do it if --

Eeva Sipila - *Cargotec Corporation - CFO*

Well, on a medium term, certainly with the amount of facilities and production we have in Sweden, the Swedish krona weakness is in that way beneficial. But of course it's -- the swing has come very quickly, in a very short period of time, so it's quite difficult with this type of manufacturing, then, to change where your -- the supplier contracts you have, where you're buying, where things coming in. The assembly cost what we have is still only a relatively small part of the total cost. It's a lot related to where the components come and what currencies those purchases are based on. So, if this situation continues for a longer time, we'd expect to try to take advantage of it, obviously.

Paula Liimatta - *Cargotec Corporation - IR Manager*

Operator, do we have any more questions from the people on the phone lines?

Operator

We have no further questions.

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Paula Liimatta - Cargotec Corporation - IR Manager

Okay. If we don't have any more questions here in Helsinki, I thank you for your attention today and my apologies for all the technical problems we faced today. Have a good day. Thank you.

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