

FINAL TRANSCRIPT

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CGCBV.HE - Full Year 2009 Cargotec Corporation Earnings Conference Call

Event Date/Time: Feb. 03. 2010 / 12:00PM GMT



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PRESENTATION

Operator

Good afternoon, ladies and gentlemen, and welcome to the Cargotec financial statements conference call. For the duration of this call you will be on listen only. However, at the end of the call you will have the opportunity to ask questions. (Operator Instructions). I'm now handing you over to Paula Liimatta to begin today's conference.

Paula Liimatta - *Cargotec Corporation - IR Manager*

Good afternoon, ladies and gentlemen. Welcome to Cargotec's 2009 financial results webcast and conference call. Today we have a joint event. We have live audience here in Helsinki and also people on the phone lines. We will start today with a presentation by our President and CEO, Mikael Makinen, and after that we are ready to take your questions.

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Let's start with the presentations, then. And when it's time for the questions please raise your hand here in Helsinki. We will start with your questions. And wait for a microphone, and state your name and company before asking the question. And after the questions from people here in Helsinki we will take the questions from the people on the phone lines. Mikael, we are ready now to start with your presentation, please.

Mikael Makinen - *Cargotec Corporation - President and CEO*

Okay, thank you, and welcome everybody. I will spend about 20 minutes going through the 2009 results, some of the highlights, and then, of course, there will be time for your questions. Of course, as you all have seen, we are extremely happy with the achievements that we have had in the Marine business; good order book, continued good result. And also I must say that the other businesses we have seen a turnaround in their performance. I'm coming back to the order intake a bit later.

The first slide, slide number three, this actually maybe needs some explanation. 2007 we made a long-term plan and said that for the first year we will focus on efficiency, that's on the management focus, and more on that than on the customer focus. Year 2008 we will then continue 2009 going through more customer focus, less efficiency improvement measures. This is in the management focus.

What happened was, of course, that when the market turned down really heavily and we saw all the restructuring we have to do -- had to do, we decided to do the restructuring, everything, efficiency improvements, in a much shorter period than before, which means that, as a matter of fact, if you now look at the management focus, year 2009, it was mainly on efficiency improvement, good or bad, but that's how we see the year. I will come back to that a bit later.

Then, of course, that means that now, quickly, we are refocusing the management, saying that now we have done those measures that we need to do you have a very good Company, a growing Company, an efficient Company, a profitable Company. Now we have to refocus people's minds towards customer focus.

As said on the earlier slide, 2009 was a focus on efficiency. We had a new supply set-up, closed a number of factories, are building a new factory in Poland, it's very much go on time. And we have seen from the rented premises in Poland already the first products coming out, and they are good quality-wise, they are good cost-wise, so we are actually very happy with that achievement. Of course, the final acid test will come when the factory is ready and we can ramp up the production, but so far very good.

We had to adjust to the market downturn and also, at the same time, talking about the efficiency, we had to adjust the cost base down EUR140m, which is a big figure. It's 25% of our fixed costs. So a very, very big focus on that, and now that's done.

We have been talking since 2007 about the On the Move, and On the Move-related consolidation, consolidating companies in one country, doing a lot of efficiency improvement in that program as well. That program is now done. You will not see that program, as such, year 2010. But all the efforts that are still ongoing there, they will be in the normal operations. So we consider that phase of On the Move program over but the On the Move philosophy, of driving efficiency, that will go on forever.

I would also like to remind you that, although we had market downturn, we reduced the cost base, we did not reduce the R&D spending. We decided very early that we will not cut the R&D spending. We must have new products. We believe that the world will continue after this recession and we will be stronger than before. I will come back to that a bit later.

For this to happen, for the efficiency improvement, for gaining this EUR140m, we needed one Company. And very important for one Company was a new Cargotec brand so that we had one brand that everybody could --- the one that you see up there in the corner, or here in the room, the logo, everybody feels that this is what we stand for. And for that you need common values as well. I've been discussing -- telling you about the values earlier as well. Big program, more than 3,000 people participated in developing the values. And I think this is also an extremely important foundation for one Company and an efficient Company.

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Market environment, of course, these are partly historical data. Load handling very demanding over the year. But we have seen some positive signs during the fourth quarter on the load handling equipment. Container ports have been hampered by low utilization rates, which also means that the decision-making by -- process on our customer side has been longer than before. And there -- although we see -- start to see some positive signs, I already told you up to Q3 more projects than before, we see the decision-making process a bit longer.

And what we have also done is develop new products in that segment, but also being more restricted -- restrictive on taking orders to be 100% sure that we are not going to take -- just take market share. We want to have profitable orders. That has been also a guideline for the Organization.

Marine cancellations were lower than we were afraid of at the beginning of the year. And now if you look at the Marine order book, we start -- yes, there were cancellations. How much will -- someone has asked will there be a second wave. It doesn't look like there will be a second wave. Yes, there will be -- there will still be cancellations, but they will not -- there will not be a huge surge of cancellations. Why is that? Because many of the ships that are in our order book the shipyard has already start -- ordered the steel. Now we are in that phase that it's very costly for the whole system to cancel. So the hurdle to cancel is getting higher and higher.

Service, I always like to remind you that Service is not immune to a downturn like this. It's not going down as much as new equipment sales but it's affected by the market condition. And this was especially in Kalmar and MacGregor that you could see first half, third quarter of this year that the customer did not order any extra service. They tried to survive with what they had and so on.

Q4, you have seen the figures. Cash flow was very good. Operating profit for that quarter was also good. Sales was good. Orders received could have been, of course, higher, but also in my opinion a fairly good figure.

Hiab, on slide number seven we have tried to highlight what's happened over the years. There is those order intake quarter by quarter, year by year, and here you can see that we see a positive trend towards the end of 2009. And the positive trend we have also seen continuing at the beginning of this year. So there -- I would say that we definitely have passed the worst period in order intake in Hiab.

You can also see it on the next slide that the sales is back on Q1 level. It's not going further down. We have seen it stabilizing, not on a very, very high level, but EUR150m for one quarter starts to be acceptable.

Kalmar, as we have said here, visibility weak but, again, here quarter four is not lower than quarter three, so we see it starting to stabilize. We have seen at the beginning of this year interesting orders coming in. When will it go up? How much will it go up? That's too early to say. And of course the important thing is that now when you start to stabilize, then we also know that our cost base is roughly correct for these kind of volumes. We are not going further down and further down. Again, you can see the same trend that's in Hiab, sales start to stabilize. If you call it a trend or not, I don't know, but it -- at least it has stabilized.

MacGregor, we have the massive order intake that we had in 2007 partly 2008, then going down to a lower level. But as some people predicted it will be zero, it will go down to zero. No. We are still on an acceptable EUR150m level. If you add Service to that it just would be the continuous business, then we are talking about a fairly sizable business, even if it would not move from this very low level.

We have to remember that in MacGregor, because we are in most of the ship types, all ship types except tankers, so for us the different types. One RoRo ship gives us revenue more than three normal cargo ships and so on. An offshore ship is even more interesting for us and so on. So it's not a question of how many ships are built in -- if you compare it to an engine manufacturer, an engine is an engine, it goes into a ship and that's it. For us, very big difference what type of ships are being ordered. More complicated ships are more interesting for us. Of course, you know the story about MacGregor's record sales in Q4, really pushed by the shipyard. Now the shipyards start to be on that level. This is the level that the shipyards in the world can deliver.



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Restructuring starts to have a positive impact. Now we can see that all these huge efforts that we have done, all the cost cutting that we have done, all the closing of the factories, moving to a lower cost, having a more streamlined supply chain, start to give results.

Margin development very good in MacGregor. Kalmar, we decided very early that when we do the restructuring of the Organization we start with Hiab. We do Kalmar a bit later so that we can have it in our hands, so that we can -- we know what we are doing. And that's why you can see that the curve in Kalmar is still going down.

Hiab, we have to remember that Q4 in Hiab included some -- a few millions of one-offs. And that's maybe important to remember, because the revenue was okay in Hiab but there were a few million one-offs. Always when you close factories, when you do like this, you find these kind of things that you have to take into the books.

Strong cash flow. We have worked a lot on cash flow and we will still work going to 2010. This is really, really, really on the management focus. Although we are talking about customer focus and so on cash flow will be high on the agenda and on the incentive schemes of the Organization in 2010. We have done a lot. We have very good result in that respect, but if you benchmark us to the best companies in the world we still have things to do.

We decreased the net working capital by EUR200m, inventories by EUR273m; very good achievement from our Organization. As I said, Service is not immune. It's not affected as much as new business. Here again we start to see towards the end of the year that people are making more rational decisions about Service instead of just panic-breaking and not ordering anything.

Kalmar and MacGregor equal in size. Of course, we saw an internal healthy competition between Kalmar and MacGregor towards the end of the year, which one is bigger. And if you look at the figures you can see that the revenue of MacGregor was EUR1m higher than Kalmar. So they were fighting until the bitter end who would be, in terms of sales, the biggest one. [Instead] of EBIT the result was a bit clearer. Asia is, of course, the market that has not gone down in this downturn. So you see that the size of Asia in our business portfolio increasing.

Personnel. Now we have done the restructuring, but I wanted to bring up this slide because here you can see that total in the Company 3,300 people are affected. And these are not temporary lay-offs. These are lay-offs. And out of these 3,300, 2,867 have left by the end of the year, so we still have a [sale] there for some people who are leaving at the first quarter of this year, maybe even at the second quarter, but just to give you an idea of where we are.

On the following slide, number 19, we tried to -- we always get this question about what are the savings, what are they other related to material savings, to volumes, what are they? Here, we are trying to say that the EUR150m we are talking about they are non-volume related cost savings. They are by combining Industrial and Terminal, building one business area out of Kalmar. And here you have fixed cost streamlining through personnel reductions and in the whole network structural changes, as I said earlier, in the On the Move program. Out of this EUR150m achieved in 2009 was EUR90m, and you can see the division there. And the running rate by the end of the year going into this year is EUR140m.

Dividend. You could have calculated on any kind of a dividend, but we felt that cash flow was very good. We can afford to pay a dividend. So we think that after some consideration that EUR0.40 per share -- per B share would be the right level. Gives us room to move and also gives something back to the owners.

2010. I'm talking about 2010 and the whole curve. Here you can see on slide number 21, again, the same, going more into customer focus. That's the management agenda; that development of the I&T regional sales, getting closer to the customer. On the Marine side strengthening the ship type focus, going after those most profitable ship types now when the super gloom is over, and preparing the whole Organization for growth; growth both acquisitions, organic. How can we be prepared? How can we have a very efficient Organization so that we don't need to -- excuse me -- we don't need to re-employ those 3,300 people that we have reduced so we are a much more efficient Organization?



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Preparation means also focusing on R&D. They usually ask "don't you have enough products"? We have enough products on the mid segments, but we are today developing products and are launching during the year products on the entry level of the market, which is the growing market in Asia. We are also focusing -- you have seen -- heard earlier about our -- the security business, which is really the top end of the market. So the R&D is actually two-folded with some very, let's call them, basic products and extremely complicated solutions.

So we have further broadened the scope of our offering, which is a need today, because people are asking about -- our customers are asking about total solutions which include a bit of more simple products, very complicated solutions, so you have to have the whole scope.

Service is another area where we will develop a lot of Service concepts. We have some new Service concepts coming up. It takes time to take them to the market, but during this year I am quite positive that we will see a very interesting development there. Process development is company because it will split into small companies. We didn't have global processes. That's something that we still have to do so that we can be efficient also in the future and target for the growth without a big increase of costs.

One example that I took here was the Tampere Competence and Technology Center. As I said earlier, yes, we are reducing -- we have announced that we are reducing the workforce in Tampere but, at the same time, we are saying that we are going to build our first competence center in Tampere. And we will have in the world in the future pure, I don't know how many, three, four, five competence centers that are real technology centers where you develop certain technologies, and the first one will be in Tampere.

Why Tampere? Because we have our Organization there so we have our own skilled. We have the Tampere University which is actually our biggest partner in the world when you talk about the technology interchange with colleges or universities. So that's why we started with the development in Tampere. Again, many companies you have seen in that part, this is where you cut -- it's very easy to cut on R&D so we don't do any R&D now [which] will cut costs. But we made the decision that we are not going to cut there. And we will be at the front line now and in the future.

Uncertainty is continuing in the Terminal business. As I said earlier, we still see some -- we see some good signs. We see -- already see some proof of that in the Industrial business. Marine sales we expect it to be on healthy level 2010 as well. And, as you saw, the order intake is not zero, so it's not a business where -- that will disappear after 2010 either. It will be on a good level after that as well.

The 2010 sales roughly on 2009 level and we have also said that the operating profit will exceed EUR100m. We have to remember that in the Industrial business the old Kalmar -- sorry, Hiab business, you are still going to sell products in September, October and deliver them this year. And we have a number of months for selling Kalmar products and delivering in this year. That's why we give the guidance of today. Our best estimate is that we will be on that level and the profit will exceed the EUR100m mark.

A few millions of restructuring, as we have announced early this year, which we were not able to do during last year as we started this year when we looked at the market mainly in Sweden. But they are only a few millions and will not have an effect on the operating profit. Of course they will have an effect, but it's a small number, which means that it will not be operating profit. It will not affect the overall picture.

So here we are. So an interesting year, a very tiring year, a very difficult year for the Organization and, for me, it's extremely important that now we start to focus on positive things and we get the full benefit out of our new Organization. And I think we are well equipped and prepared for that.

Thanks. Now let's take some questions.



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QUESTIONS AND ANSWERS

Paula Liimatta - *Cargotec Corporation - IR Manager*

Thank you, Mikael. Now we are ready to start with the questions here in Helsinki. Please raise your hand and wait for a microphone.

Tom Skogman - *Handelsbanken - Analyst*

Yes, it's Tom Skogman from Handelsbanken. I have a couple of (technical difficulty) questions. First of all, could you give an estimate for the 2010 cash flow? Of course this is impossible to give in detail, but what will happen to these prepayments compared to inventories in 2010? And then some comments on the recent pricing trends and order book margin compared to a year ago.

Mikael Makinen - *Cargotec Corporation - President and CEO*

Okay.

Tom Skogman - *Handelsbanken - Analyst*

And then, finally, on the Other division, the -- there's been a great volatility in 2009 between the quarters on the EBIT adjusted in the Other. So what can we expect going forward?

Mikael Makinen - *Cargotec Corporation - President and CEO*

We'll start with the Other, Eeva, I'll give that to you.

Eeva Sipila - *Cargotec Corporation - CFO*

Okay. Yes, I assume with Other you mean the common costs row, or -- I assume. Yes, yes. So that's obviously somewhat grown because of the centralization and consolidation of various support functions, including some even shared service centers and R&D centers. So I think the annual level is that, no, I think it's more a question of some sort of irregularity this last year. So [as things coming or going wise] it shouldn't be that volatile is what I mean to say. So you can estimate it more as a stable. But the focus will be more on having certain shared functions there, so that will be a continuing part of our business to have it.

Tom Skogman - *Handelsbanken - Analyst*

But for the full year in line with 2009 despite the restructuring, because it's so hard to see the trend from restructuring on that line.

Eeva Sipila - *Cargotec Corporation - CFO*

Yes, that's true because it ends up being just a final row of it. But the full 2009 picture I think is relatively good proxy.

Mikael Makinen - *Cargotec Corporation - President and CEO*

Then the other question was about the cash flow. No, we will not give you a number for the cash flow. But just to remind you of what I said, that there are still many things that we can do for the cash flow.

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And then the prepayments; people have always been calculating on when the Marine goes down prepayments go down so the cash flow should go down. But, as a matter of fact, the long Marine contracts, of course, is also on term payments, so it's not only beginning and end. So it's not exactly that black and white.

Your question about the pricing trends, you have seen -- if you look at the Q4 you can see that our gross margin is again on 18%. Why was it lower here in between? It's because we were actually -- it was not a question of the market. Yes, the market was tough but, at the same time, we were sitting on components, high-cost components, and the market was going down. So it's stabilizing again. So Q4 is very close to what you saw 2008 on the gross margin side. I would say that the market has -- there has not been any panic in the market, that someone is just dumping their products. But, as I said earlier, we have also been very restrictive in terms of not taking very low margin orders.

Oliver Kostanen - *Helsinki Sanova - Media*

Hello. I am [Oliver Kostanen], [Helsinki Sanova], and I'm a journalist. You have estimated that you will make about EUR100m on EBIT this year and revenue roughly the same level as 2009. Do you consider this as a good profitability level, thinking long term?

Mikael Makinen - *Cargotec Corporation - President and CEO*

No because we have not changed our long-term target to reach 10% over the cycle.

Oliver Kostanen - *Helsinki Sanova - Media*

Okay.

Mikael Makinen - *Cargotec Corporation - President and CEO*

No. But it will not happen overnight. And then I -- just to remind you that we have said also that profit is estimated to exceed EUR100m.

Oliver Kostanen - *Helsinki Sanova - Media*

Okay. And if I may follow up that a little bit, could you elaborate a bit what do you consider doing to reach that long-term profitability level? Are there going to be more cost reductions or streamlining? Or do you wish the market to grow up, or [what do you think]?

Mikael Makinen - *Cargotec Corporation - President and CEO*

Of course, the best thing would be that the market picks up and we have a huge boom. But you have to remember certain things like, for example, our supply base which is now -- in one year we will have the Polish factory running. That also means that the sub-suppliers that have been around Finland and Sweden they will be in the European area. We have the next phase of our Chinese factory running, going up and so on, so it's a combination of that.

No, it's not -- it cannot be achieved by huge further reductions. We have already reduced by -- our workforce by 25%. If we want to grow we cannot reduce it much more than that.



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Oliver Kostanen - *Helsinki Sanova - Media*

Okay, [thank you].

Unidentified Audience Member

(Technical difficulty) (inaudible). Can you tell me about your factories' capacity in China now? Are they into full capacity produce?

Mikael Makinen - *Cargotec Corporation - President and CEO*

Pekka, do you know? I think you'd better -- Pekka Vauramo, I think you were the last one of us who visited that factory.

Pekka Vauramo - *Cargotec Corporation - Deputy CEO*

No, the factories are not used at full capacity. The utilization rate is, of course, adjusted to the market realities. However, we have seen some improvement, especially in Asia, over the past few weeks, so we can see that the utilization will pick up as we move on.

Lauri Saarela - *Sofia Bank - Analyst*

Thank you. Lauri Saarela from Sofia Bank. Could you please give us a bit more color on your 2010 guidance?

Mikael Makinen - *Cargotec Corporation - President and CEO*

Don't you think that (inaudible)?

Lauri Saarela - *Sofia Bank - Analyst*

Well, if you were to -- are willing to discuss a bit about the elements. You're stating that the Marine Handling business is expected to be on a healthy level, so what would that mean in tangible terms? And could you please give some kind of an indication what part of your order backlog is scheduled for delivery this year? And if you would book orders are you still able to deliver them this year?

Mikael Makinen - *Cargotec Corporation - President and CEO*

Are you talking about Marine order book?

Lauri Saarela - *Sofia Bank - Analyst*

Yes, this is regarding Marine.

Mikael Makinen - *Cargotec Corporation - President and CEO*

Okay.

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Lauri Saarela - *Sofia Bank - Analyst*

And then maybe a second part to this question in -- especially in Hiab, I suppose you already stated that you are expecting orders that would materialize as sales later this year. Where does this kind of confidence come from? And what has been the underlying driving force in this recovery of demand you've stated that you've seen in the beginning of this year.

Mikael Makinen - *Cargotec Corporation - President and CEO*

Okay. So if we start with the backlog of Marine, do you have, Eeva?

Eeva Sipila - *Cargotec Corporation - CFO*

Well, maybe just a comment on that, that obviously 2009 was the peak year in Marine, so to make that clear. But as you can see from the EUR1.6b in order book still, so that will be healthy, good. Not wanting to put it more exactly at this point, obviously, because, as our CEO was saying, there most likely will be some cancellations, some postponements, so it's a bit of a moving figure, but in the same way as 2009 was a moving figure and it turned out to be a very good and healthy year.

Mikael Makinen - *Cargotec Corporation - President and CEO*

So, as Eeva said, 2009 was a peak, but still a healthy level is a healthy level. You had one question about Hiab, then I forgot one question, but let's -- you had one more about Marine.

Lauri Saarela - *Sofia Bank - Analyst*

(Inaudible -- microphone inaccessible).

Mikael Makinen - *Cargotec Corporation - President and CEO*

The Hiab, yes. So the Hiab one, how -- it's actually not so that it's -- yes, you would actually say that -- let's put it this way. It's not construction related. It's the other business with [EUR3b] higher where you see the growth. That's maybe it. It's distribution, which is consumption related, not construction related.

Lauri Saarela - *Sofia Bank - Analyst*

And what about geographical areas in Hiab [as] the demand?

Mikael Makinen - *Cargotec Corporation - President and CEO*

I think it's -- I think, yes --

Eeva Sipila - *Cargotec Corporation - CFO*

The other segment improvement it's similar in both Europe and US but, as our CEO was saying, apart from construction the tentative size come from both market areas.

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Mikael Makinen - Cargotec Corporation - President and CEO

So it's both markets. And then Asia, which is still a very, very small market for Hiab type of products, that's growing at normal pace. That goes on year after year. That will be the big boom one day whenever that happens.

Lauri Saarela - Sofia Bank - Analyst

Thank you. Then I would have one more question on a totally different topic. I'm looking at McGregor's margins and you give -- keeping in mind that you have stated that there is basically no operating leverage in the business whatsoever because of the outsourced manufacturing, what then explains this kind of margin performance?

Mikael Makinen - Cargotec Corporation - President and CEO

The operational leverage is not as high as in the other businesses. Yes, it's much lower. But McGregor has been extremely good at outsourcing and also being able to control their outsourcing. What that means is that you outsource but you don't give the full freedom to the outsource entity, which means that you keep part of that margin.

So you are in there -- we are in there in quality control, we take delivery of the product, delivery it to the customers and so on. So you have to be like a spider in that chain, then you can manage to do that. And then you also have to remember that there will always be variations between quarters because the different ships have different margins.

Lauri Leino - Icecapital - Analyst

Hello, it's Lauri Leino from Icecapital. Just one general question. You mentioned that now the management focus is getting back to growth and customers. What about acquisitions and growth from other companies?

Mikael Makinen - Cargotec Corporation - President and CEO

Yes. As I have said already two years ago when came this downturn, this market will consolidate. It will definitely consolidate. I have not changed my mind. And we have decided to be one of the consolidators.

When it will happen? Still today we see that possible acquisition targets are fairly costly, because the seller is talking about the peak years and want to have a multiple from that and we are talking about going forward and so on. So there is still a gap between the selling and buying price of companies. That's why the consolidation has not started. But definitely it will consolidate.

Oliver Kostanen - Helsinki Sanova - Media

Hello, Oliver Kostanen, [Helsinki Sanova] [in Vienna]. Lately you have been unifying Cargotec brand-wise and operational-wise to be more efficient as a one Company. I would like to hear your views about that. Is there something to be done in the future to get continued unification and get a more -- get -- and to be more efficient as a one Company and get your different groups to work together better?

Mikael Makinen - Cargotec Corporation - President and CEO

Yes, of course. I suspect Kari wants to answer this because you have been in the middle of that now.

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Kari Heinisto - *Cargotec Corporation - Senior EVP*

I think -- excuse me. Mikael in his presentation showed on one of those slides that we have a lot of process development currently ongoing, and we are doing that one in order to, of course, be more efficient. And an important thing is that we then can put IT to work for us and not the other way round.

We have many things happening in that area. We are working on the ERP system. We are working on system for our front-line companies that already operate in many places out of same premises and so forth. So we have a lot of these kind of activities happening and taking place that will improve our profitability efficiency as we move along.

And then, of course, we have merged two business areas during last year. That process is still ongoing. But things like cross-training people, both sales people and service people, is very important efficiency improvement in very practical terms which is happening right now. Thanks.

Mikael Makinen - *Cargotec Corporation - President and CEO*

And one is, of course, the spare parts distribution and spare part hubs, that whole part. There are many things that we can still do.

Oliver Kostanen - *Helsinki Sanova - Media*

At this point what grade would you give to Cargotec considering how well do you function as one Company?

Mikael Makinen - *Cargotec Corporation - President and CEO*

It's, of course, very difficult to rate yourself. But if I start one step back, how good have we been able to do this -- the change in the company? I would give us a very, very high mark, because this is one of the, if not the biggest, restructuring of an engineering company in Scandinavia, so from that a very high mark. If you then talk about what would be the grade that they give us right now, 7, 8, still things to be done, but the low-hanging fruits have been done.

Oliver Kostanen - *Helsinki Sanova - Media*

Thank you.

Tom Skogman - *Handelsbanken - Analyst*

This is Tom Skogman from Handelsbanken again, just continuing on the same topic a bit. When you have now a new and fresh factory in China and you are opening up this in Poland, and still we know that you have very, very many small factories when you compare to many other engineering companies left, is it so that you can really expand on all these sites and that it's possible to move the production from the still remaining smaller sites in Europe to -- let's say, to the Polish factory and to the Chinese factory?

Mikael Makinen - *Cargotec Corporation - President and CEO*

Very much a question of how much the market will pick up and how quickly, so it's impossible to answer now. It depends on how the market picks up. And we also have to remember that people tend to forget that there is a learning curve when you have a new factory. You cannot just say that, now we have a new factory coming up, close everything else. Then you are in a

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real catastrophe. So it's more a continuation of this. So it's a question of you will not see a huge number of closings, but you will see where we focus our investments, which means that those are the areas where the factories will grow.

So we have come over that stage where we have to have this very costly cutting, immediately cutting and so on. So now we can do it over time. And it depends on the market and how we develop the Company as well.

Paula Liimatta - Cargotec Corporation - IR Manager

Okay. Operator, I think we are now ready to take the questions from people on the phone lines, please.

Operator

Thank you. (Operator Instructions). The first question comes through from the line of Antti Suttelin of Danske Markets. Your question, please.

Antti Suttelin - Danske Markets - Analyst

Thank you. This is Antti from Danske Markets Equities. I'd just like to come back to your 2010 guidance, in the sense that if we break your sales guidance down divisionally, what you have said is that MacGregor's sales peaked in 2009, meaning that 2010 will be lower than 2009. Then also looking at Kalmar, it clearly seems that sales will have to fall 2010 versus 2009 based on the order intake in 2009. So it really seems that you are putting a high hope on a Hiab sales increase in 2010. Is this correctly understood?

Mikael Makinen - Cargotec Corporation - President and CEO

Yes, it's correctly understood. I just want to correct one thing. We are not putting high hopes. We have some -- we know a bit more about how it is. But, yes, as I said earlier in my presentation Kalmar is the most difficult one. We have seen the turn in Hiab. We know where MacGregor is going so --

Antti Suttelin - Danske Markets - Analyst

Okay. But, basically, Hiab should compensate for the sales coming down in the other two divisions in 2010?

Mikael Makinen - Cargotec Corporation - President and CEO

We have said that we are on roughly the same level as we were in 2009.

Antti Suttelin - Danske Markets - Analyst

Okay, thank you.

Mikael Makinen - Cargotec Corporation - President and CEO

Thank you.

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Operator

Thank you. The next question comes through from the line of Christer Fredriksson of ABG. Your question, please.

Christer Fredriksson - *ABG Sundal Collier - Analyst*

Hi, Christer Fredriksson from ABG in Stockholm. A question on the cost savings and what your plan is for [them]. Firstly, the integration between Hiab and Kalmar, what your planned saving is in 2010. And also what kind of savings do you plan for when it comes to the Polish factory?

Mikael Makinen - *Cargotec Corporation - President and CEO*

So the question is about -- did I understand it correctly, that the question is about the savings when we have the Polish factory running?

Christer Fredriksson - *ABG Sundal Collier - Analyst*

Yes, and also the integration between Hiab and Kalmar.

Mikael Makinen - *Cargotec Corporation - President and CEO*

The integration between Hiab and Kalmar that's part of the figures that we have shown here. The Polish factory, yes, of course, the products are -- it's more efficient to produce the products there. We have not given a figure for that because it's dependant on the volume, so which volume should we take it on, so --

Christer Fredriksson - *ABG Sundal Collier - Analyst*

Okay. But if we say the savings you have achieved this far, EUR140m run rate, your target is EUR150m. You have 500 roughly left to lay-off. Assuming EUR20,000, EUR25,000 annually in personnel costs per person, that means roughly EUR10m. So you will have quite clearly reached this EUR150m target. I was just wondering is it fair to assume more EUR180m in savings than EUR150m after this integration and the Polish factory and so on?

Mikael Makinen - *Cargotec Corporation - President and CEO*

Eeva.

Eeva Sipila - *Cargotec Corporation - CFO*

I think that the way to think about this is that really the majority of the people have left here, quite rightly noting that obviously we still have some measures ongoing which we expect to patch the difference between the EUR140m we had achieved as a run rate at year end towards the target -- between the target of EUR150m. So that's clearly EUR10m work ahead of us.

But other than that I think the next part of Hiab and Kalmar is not really so much cost savings. It's about more sales, more on getting the set-up ready for the growth phase. We would hope that we don't really have to cut more. I think that part is now already behind us. The Organization, as such, has been in place since October.

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Christer Fredriksson - *ABG Sundal Collier - Analyst*

Eeva, thank you very much.

Operator

Thank you. The next question comes through from the line of Sebastian Ubert of UBS. Your question, please.

Sebastian Ubert - *UBS - Analyst*

Yes, good afternoon, ladies and gentlemen, just a follow-up question on the Hiab business. Can you give us some kind of feeling in which regions you see demand coming through currently, and even increasing compared to what you have heard from Palfinger earlier this month?

And then also, with regards to the cost structure, what is your cost base in the US especially, and how do you see there the increase in competition from Palfinger which has acquired several companies over 2009? Thank you.

Mikael Makinen - *Cargotec Corporation - President and CEO*

As I said earlier, the growth is coming both from Europe and US in the Hiab business, and the growth is in those business segments, not related to construction. Further competition in US from Palfinger? I think you have to remember this, that the market is still very, very fragmented, so actually there is room for a strong Palfinger, there is room for a strong Cargotec in the market. So I consider it only healthy that the market will consolidate.

Sebastian Ubert - *UBS - Analyst*

Okay, thank you.

Operator

Thank you. The next question comes through from the line of Johan Eliason of [CHE]. Your question, please.

Johan Eliason - *Cheuvreux - Analyst*

Yes, hello, this is Johan Eliason of Cheuvreux. Just coming back again to the MacGregor margin question, you said something in the report about -- or mention now in the presentation that also some component prices were coming down. Is raw material prices really affecting MacGregor? You typically have a lot of steel but that's, as I understand, [on] steel costs. Or is it just the two things you mention, the -- squeezing the outsourcing suppliers and the good mix in the quarter, or is there any effect from raw materials as well?

Mikael Makinen - *Cargotec Corporation - President and CEO*

Of course there is an effect from raw material but, as you correctly said, the biggest part of the raw material is steel and that's cost neutral to us because it's - we have a steel clause. But of course there are other components where the prices of them have gone down. But then it's efficiency in the whole chain, so it's not one single reason for the good achievement in MacGregor.

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Johan Eliason - *Cheuvreux - Analyst*

But assuming the same sort of healthy turnover is this the sort of margins we should expect now on a full-year basis for MacGregor, or will it still vary quite significantly over the quarters?

Mikael Makinen - *Cargotec Corporation - President and CEO*

It will vary over the quarters, as I said.

Johan Eliason - *Cheuvreux - Analyst*

And the margin target, if you could remind me for MacGregor, is that 10%, 11% or --?

Mikael Makinen - *Cargotec Corporation - President and CEO*

The margin target for the management is definitely that, whether we can achieve all of that but, clearly, as I said, it is roughly on the same level. There is not the very big difference on top line or bottom line in MacGregor.

Johan Eliason - *Cheuvreux - Analyst*

Okay, thanks.

Operator

Thank you. The next question comes through from the line of Jari Harjunpaa of Ohman. Your question, please.

Jari Harjunpaa - *Ohman Securities - Analyst*

This is Jari Harjunpaa from Ohman Securities, good afternoon. I have just a fast question about this consolidation still. If we are thinking about the most likely business units that would be actually attending into this consolidation at the moment, so let's say in late part of 2010, so would it be actually MacGregor that would be the most likely to do some moves?

Mikael Makinen - *Cargotec Corporation - President and CEO*

I think that there will be consolidation on all the three business areas. When and how is difficult to say. So I wouldn't say that it's only MacGregor. It could also be MacGregor or it could be the other businesses as well.

You have to remember at some segments in MacGregor there are only two players, CCS and MacGregor, so most probably [on] consolidation there. But then broadening the scope, as we have said earlier, we are very interested in broadening our scope on the offshore sector. We are very interested in broadening our scope on some of the other ship types.

And then if you go to the rest of the business with Kalmar and [less so] Industrial and Terminal, that whole business huge room for consolidation on the world market.

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Jari Harjunpaa - *Ohman Securities - Analyst*

Okay, thank you. And still a little bit of follow up, because of course one other interesting thing is the development in the Service business. And certainly looking at your current revenue share of services, that is -- basically it seems that there is more -- most potential in MacGregor business unit. And so could we actually assume that there could be some service company acquisitions because, if I have understood correctly, there is quite many actually active in the field.

Mikael Makinen - *Cargotec Corporation - President and CEO*

Yes, there are many active in the field, but that's one of the target areas. But we made a lot of acquisitions two years back, and those were the low-hanging fruits so that we got the worldwide coverage for all our businesses. So if it doesn't have any strategic impact on our Service business we would not just buy Service business -- more Service set-ups, because I think that we have a fairly good coverage worldwide.

Jari Harjunpaa - *Ohman Securities - Analyst*

Okay, thank you.

Operator

Thank you. (Operator Instructions). Okay, we have no further questions coming through so I'll hand back over to your hosts to conclude today's conference.

Paula Liimatta - *Cargotec Corporation - IR Manager*

Do we have any more questions in Helsinki? If no, I would like to thank you all for your attention today and wish you a good day. Thank you.

Operator

Ladies and gentlemen, thank you for attending today's conference call. You may now replace your handsets.

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