**Cargotec Corporation**
**940618**
**Tues, 4th February 2014**
**08:00 Hrs UK time**
Chaired by Paula Liimatta

**Paula Liimatta**

Good morning everyone and welcome to Cargotec's January/December 2013 conference call. My name is Paula Liimatta and I am Head of Investor Relations. Today we have a live audience here in Helsinki as well as people on the phone lines. We will start with a presentation by our President and CEO, Mika Vehviläinen and CFO Eeva Sipilä. After that we will begin a Q&A session. Mika, please.

**Mika Vehviläinen**

Thank you Paula; good morning on my behalf as well. Thank you for joining our 2013 Annual Results today. Let me start by giving some of the highlights of Quarter Four specifically. I am very delighted about the strong order intake we enjoyed throughout the Q4, up 35% year-on-year and also what is very delightful that we saw the strong order growth actually in all three business areas obviously led by very strong market demand in MacGregor. The sales there only slightly up. This was primarily caused by the 8% decline in MacGregor and as you can see from the sales development in MacGregor less the order intake in MacGregor, we had a fairly dramatic bottoming out of the shipping, especially the merchant shipping sector in 2013 where the actual delivered tonnages went down by 24% but the order intake or contracting went up by 265% in terms of dead weight tonnages, so quite a turnaround here for the whole merchant shipping and still cycle bottoming out in terms of deliveries that was of course very visible in MacGregor revenue but then a strong contracting update that was very visible in the MacGregor order intake, numbers as well.

Operating profit of course was not from our point of view at the level we would like to see that going forward fairly stable year-on-year, however it included quite a number of different one-off type of items especially in the sort of OP as well as the MacGregor; I think Eeva is going to go to those ones a little bit more in detail when he goes through the different business areas and the Q4 numbers. As such I am not too concerned about the OP level as such. As I said, I see strong improvement and trend in underlying businesses in there. The cash flow was also very satisfactory indeed, and a lot of business area improvement, especially in the Hiab side as well as in Kalmar to reach 134m cash flow during the Q4. This was very much in the focus area for us for the second half of the year and I'm very delighted for the fact that that actually delivered for us and obviously helped in terms of financing the acquisitions of Hatlapa and then closing of the Aker solutions mooring and loading systems in January 2014.

The dividend and the EPS was down. This was primarily driven by obviously the EBIT level as such that was not at the level that we would like to see that going forward and second, by the large number of different restructuring tranches that we all saw, so again, everybody is going to go through those ones a little bit more in detail. Then obviously acquisition and the closing of the Aker mooring and the loading systems was a very important milestone for us in the building the growth strategy for MacGregor, especially it’s a sort of platform, a stepping stone for us in the offshore business as () demand outlook actually at the moment, especially for the deep sea and undersea production continues to be very strong.

If I then look at the key numbers a little bit, there may be a few things I would like to highlight again. One thing that may be causing a bit of confusion here is that whilst the order intake increased by as much as 35%, the actual order book went down. Two main reasons in the gap, one of course is that in MacGregor we are still evaluating the existing order backlog and have done some cleaning in there to adjust for the market environment and our own views of the customer situation there as well. The other important thing is that in Kalmar in 2013, we delivered quite a large number of projects - about 200m as such, and they obviously took down the order book as well - however the order intake in Q4 in Kalmar again was very strong and I’m happy for the fact that the order intake mix, as such, was more in the traditional Kalmar business which generally means a better margin profile for us, as well for the fact that the cycle times for the traditional business are shorter, so we expect that to impact our revenue at the faster pace than the larger project order intake would be doing. Again, as I said, the operating profit was a disappointment; the development in Kalmar as such was satisfactory; but the Hiab results, especially in Q4 was hit but quite a number of different one-off type of items and one would call sort of cleanup items in terms of obsolesces, bad debt and others, all together at the tune of roughly 4m in there and also in the MacGregor, obviously the results were hit by the cycle and lower revenue, as well as number of acquisition related costs there as well. Again, very satisfied with the cash flow here at 134m; a great achievement for us and the direction that hopefully we will be able to continue throughout 2014.

The debt level increased by roughly 100m; this was obviously primarily driven by the acquisition of Hatlapa that we paid out during 2013, the closing of the Aker again took place in 2014 and will be impacting our cash situation for this year. And again earning per share on the quarter level slightly down, primarily driven by the different restructuring measures and things we hit there in Q4. With that one, I would like to hand over to Eeva who will cover the performance development and business areas with more in detail.

**Eeva Sipliä**

Thank you Mika and good morning everyone, on my behalf as well. Looking at the quarterly comparison on the performance, clearly the Fourth Quarter had a very strong order intake and also good quarter execution-wise. I think this applies to pretty much all of the businesses. Profitability three Quarters after a very disappointing First Quarter, we managed to keep above the 4% EBIT margin level, but obviously not on a satisfactory level, but as Mika was pointing out, specifically in the Fourth Quarter, we have a few things to clarify that hopefully will help you understand the underlying performance better. Without going into the MacGregor numbers, so 361m order intake in the Quarter, that contains two big orders, roughly €100m altogether, but even excluding those actually 260m and run rate is a very strong level. You clearly see during the 2013 order intake picture that it is still a very volatile and bumpy road, especially in the merchant ship market, so I think it’s good to bear in mind that you need to stomach still a bit some volatility I think before we are over and done with the shipping market, or on a safer track, but a very good strong start for the 2014.

Offshore market **text here** throughout the year. There of course also the orders are lumpy by nature or relatively big in size, but more steady progress in the overall activity. In the Fourth Quarter numbers, we have €18m in sales from Hatlapa, and otherwise a roughly sort of stable rate of deliveries actually throughout the year in all the Quarters. Profitability 6.6 margin is obviously not the level we are used to with McGregor. You need to bear in mind that that includes four and a half million of acquisition related costs - it's mainly Hatlapa, but some also preparation work for the sort of deal closed just a few days ago. Excluding the impact of them, the underlying margin would have been around 9% so obviously a much healthier level. Then in addition to Hatlapa, the first contribution was negative 2.3m, so again excluding that the underlying McGregor is more on the levels that we are all used to seeing. Hatlapa business, as we've described earlier, is obviously in a phase that very much reflects the market situation, low deliveries and picking up from the downturn, so we expect to see some better volumes and with that, improved profitability and obviously the synergy work has now started, so that will hopefully turn the picture in that business around.

Going then into Kalmar, here we actually have a very nice blue graph on the margin improvement and even on the order intake, really this is without big projects, so it's a very healthy level for the underlying business, and as Mika was pointing out from a mix point of view, this is obviously an order book that contributes much more to the profitability going into 2014, a good start for the year. Very strong sales deliveries, very good execution and helped also quite a bit on the cashflow, so we're pleased to see that. The margin was 5.5% and that includes still unfortunately additional 10m project losses and cost provisions made, so we were not yet able to turn the trend in that…from the previous quarters, the full year total, 34m is obviously a very heavy burden on the Kalmar profitability.

Going ahead, the only good news is that we only have 60m worth of sales for these big projects left in the order book, so again, we start to sort of turn the corner in those contracts.

Looking at Hiab, I think considering the sort of uncertainty in Europe, very healthy order intake, quite a lot supported by the US. In a few European countries, some buying which you could label as part of the pre buying for the Euro fix, but it was not certainly very significant, so the big improvement really is still coming from the US where the development is going in a positive direction; strong sales also, so good execution from that point of view in the business.

Margin unfortunately 1.7 so we didn't manage to keep up to the sort of Second and Third Quarter levels. The good news is that we are progressing well with the route to market efficiency improvement work, based from the actions on that relate to personnel, so we had actually a bigger share of restructuring costs in the Fourth Quarter than we originally assumed, which means that we were able to conclude negotiations in almost all of the countries, and that of course is good news, builds a better base for going into 2014. However, fortunately related to that tighter management of the route to market, we also realised that we have a need to write down working capital items inventories, accounts receivable type of items in quite a few countries and they then contributed to about 4m costs. And this 4m obviously is not part of the restructuring cost; it's part of the normal operations. But again, without them, the underlying profitability would have been on a better trend. I think the good news in Hiab is also the fact that we do see improvement in the gross margin, which is obviously on the key areas where a lot of our actions implemented during last year have worked to address and that we do expect that the improvement in profitability we have described earlier is on track in that sense.

Going into cash flow, after a lousy First Half we really had a good focus and good actions on this and obviously helped by strong execution on the sales and so overall the full year is in that sense on a satisfactory level and obviously important considering the acquisition path.

Sales and service, relatively flat unfortunately, down in MacGregor. The market activity is better in Hiab and Kalmar and relatively speaking they are going the right direction. Overall the share of service business in Cargotec is about 23% of sales, so that is on the level we have seen it in the previous year, 2012 as well.

No big swings in the Fourth Quarter, when it comes to reporting segment or geographical split. Obviously MacGregor business and the shipping market going down, that has had an impact on the share the Macgregor and also Asia Pacific went down a bit during 2013 and we see a bit of the pickup in US also visible, and in these numbers, but roughly the same as what you are used to seeing.

Then finally on earnings per share dividends, so as Mika mentioned, 89 cents, pressed (?) by the bigger restructuring items. At the same time the tax rate, we actually ended up having the tax rate relatively stable on a 29% and that obviously helped the EPS then in total. And the Board's proposal for dividend is 47% payout, 42 cents per B share and 41 cents per A share.

That's hopefully a bit more insight into the numbers and I hand back to Mika on the issues going ahead.

**Mika Vehviläinen**

Thank you Eeva; let me start with the guidance. First of all it's fairly simple; we expect the sales or revenue to increase in 2014 compared to 2013; we expect the profitability also to improve over 2013 as well. Our guidance does not yet include the Aker solutions mooring and loading system business; we closed that business only last week. Obviously we still do not expect that fairly simple guidance that will have any impact for the guidance itself, and we will most likely come back to the actual implications of the Aker acquisition, as to Hatlapa and the combined synergies in the connection of the Q1 guidance later on this year as well.

In terms of the actual business area specific measures, I just want to reiterate what we have said in the past. Our programme in terms of profitability improvement is on track at the moment. The improvements in Kalmar obviously, they are already visible in terms of Q to Q improvement in there, primarily coming from the savings that we have closed down in terms of those efforts already in 2013. The changes in footprint have continued; more than half of our production is already in Poland and then the improvements beside the cost () products launch is in better gross margin and the different measures we are taking on the products side, such as mobile equipment are contributing already to the numbers. What we have guided in terms of () the roughly 20m improvement, 40m run rate improvement for 2014 and we are very confident being able to achieve that number. Obviously that profit improvement does not take into account the change in product mix and the potential impact of the project, but as Eeva was saying, we had a 34m hit on the project which was of course highly unsatisfactory, we are fairly confident that that number will be down, including the project cost overruns and potential penalties for late deliveries just from simple fact that all out order backlog or deliveries for this year is only resulting to roughly 60m of topline.

In terms of the Hiab, numbers not yet visible in terms of that one, but as I said on the Q4 numbers, we had a number of items that were one-off and related to the balance sheet improvements and cleanups in many of the markets and countries. A lot of the cost items were executed towards the year end and very visible in our restructuring items, but the actual EBIT impact of those ones was not yet visible in 2013 numbers, but will be visible in 2014 numbers. Again, same guidance; I think Kalmar, 40m run rate improvement in 2014, roughly at the steady state progress would actually mean EBIT improvement in 2014. Again, I'm very confident that with the programme we have in place, we will be able to deliver those numbers in Hiab as well.

MacGregor of course a slightly different situation; the order intake was very strong. Again, it's long cycle business. As we have said in connection of the capital market days, organically we expect the business to grow somewhat in 2014 but its slightly lower margin primarily coming from the product mix so that strong growth in offshore, where we still today, have somewhat lower margin profile than we have in merchant marine primarily contributing on that one. We will again, as I said, come back to the actual impact of the Hatlapa and Aker mooring and loading solution, integration and consolidation into numbers and synergy impacts in connection with the Q1 results when we have had more time to () at the team in Norway, in terms of looking at the plans and defining the synergy targets for them.

I would like to conclude the presentation by what we already shared with you in connection with the capital market. There are obviously short-term plans now in terms of the profit and margin improvements 2014 are in place. In the longer-term I see excellent opportunities for Cargotec to drive the shareholders' value. We have identified five main key areas so called ()()() where we see the biggest opportunities for us to rapidly increase the shareholder value. One obviously is turning to Hiab's current business performance in the market and peer-related performance and again, a lot of measures and the programme is tracking there quite well at that moment. I am quite confident about the up-scalability to turn a corner in there.

The second one has been about building the growth platform for MacGregor, not only merchant marine but increasingly also in the offshore side, and obviously we have now closed both of the acquisitions and 2014 we are very focussed on integration, delivering the synergy benefits and building for the growth that we already have seen visible in our order intake to Q4 2013 as well. Kalmar's competitiveness and profitability mobile equipment; that is the largest single business segment or division we have within Kalmar; good progress already in 2013, many measures taking place that will ensure our competitiveness in there. Again, confident about seeing the numbers also delivering in 2014 and already tracking quite well throughout 2013.

The service business, I see a lot of opportunities for us, especially in Kalmar, as well as in the MacGregor side of that one. I would say that here we are not yet showing the improvement and there, I would say, that the service business both have inherent good opportunities in there, but realising those ones is still work in progress.

Then in terms of the automation, as we have said in the past, we see generally very strong growth rates and need for automation across the different ports, and we want to build on the strong market position that Kalmar today is by further investing into this one and ensuring our market position.

Last, but not least, I would say that the team that needs to deliver these results has to be in place. We are very close to finalising the last nominations in terms of the new President for Hiab and one more nomination, and also very delighted that the Board has approved a new incentive programme that incentivises and retains the key executives in the coming year to deliver the profit improvements that we are aiming for.

With that I would like to conclude my presentation and hand over to Q&A and Paula.

## Questions and Answers

***Helena Rota – () Bank***

*About MacGregor, can you say how much you expect to see acquisition-related amortisations weighing down the result this year?*

For Hatlapa the purchase price related amortisations are roughly €4 million on an annual level, and of course the first part of that was included already in €2.3 million we mentioned. For Aker Solutions' part, we don't yet have the final numbers. We start now the work after closing the deal so we will revert to that.

*Related to that, do you expect to see further acquisition-related costs in 2014 of a one-off nature?*

We will see some costs in the First Quarter now related to the closing of the Aker Solutions, maybe a bit less than now in Q4, but roughly on that. After that it is business as normal, so no, no one-off type of costs after that.

*One more question, on Hiab and the cleaning down there now, the one-off items, do you foresee costs like that this year as well?*

I still expect to see some restructuring costs. We still have a number of decisions that we need to make in the near future in terms of ensuring the cost competitiveness and profitability in Hiab and those are likely to result into the further restructuring charges throughout 2014.

*But restructuring and not the kind of write-downs?*

Primarily in the restructuring; I think we have done quite a lot of work in the sales companies looking through the balance sheets, looking at the receivables. Obviously every business will have them but I would not have thought to be so significant this year as they were last year.

*One more thing; in MacGregor's sales now in Q4, how much of those sales are offshore?*

I will need to check the exact number, but between 20% and 25%, applies without Hatlapa and shouldn't change much here, so that is roughly the share. The offshore business, we had very good order intake but the lead times on the deliveries are long so the impact on the sales comes slower. We will see the share of offshore increasing then in 2014, but in 2013 not yet a big change, just a slight growth on the previous, below 20% now.

*Thank you.*

***Question***

*()()(). On this guidance you gave for MacGregor early-December decline in margin and saying that the ship industry recovery will start to really benefit you from 2015, did you already know about this order development at that point when you gave that assessment or has it been better since then, or would you still say the same?*

It wasn't a surprise for us. Probably a little bit better than we expected but no major surprises there. We saw that Q3 was a little bit further down more than we expected and as I think Eric Nielsen already explained, the capital market basically it is going to be lumpy with slightly () behaviour change for larger systems as well, so you are expecting to have larger orders at more intervals, and that is going to impact quarter-on-quarter impacts, but that doesn't change the guidance or our expectations. As Eeva was saying, the primary reason why we are guiding to margins somewhat down for 2014 is that the mix is going to be weighted more heavily towards the offshore on 2014, and today still our offshore margins are not quite as good as they have been in the merchant side.

*Then you said that there were two €100 million orders in MacGregor in the last Quarter, where they both published, or have they been both published those orders in advance?*

Yes, altogether over about €100 million worth. Yes both of them were published. One we received in October and the other was, it was actually the first one, €37 million was published just a day before our Q3 report. ()()() €100 million in total, the two big projects in Q4. The €37 million and then €50-60 million worth of other order to United Arab Shipping Company, which I think was somewhere in November when it was announced. Even excluding those two, the €361 million order intake obviously required the base business to be good as well.

*And the same story pretty much for Kalmar then, you also mentioned that there was no real big orders in Q4, so the biggest ones would have been in ()()()?*

Yes I think we announced one automation deal to Port of Oslo and a few ones, but they were clearly smaller, smaller in size consisting of some RDGs rather than a big project. This was more normal business in that sense.

*I might have missed a little bit, on MacGregor you said you did some cleaning up with the order book. Maybe it was mentioned somewhere but how big was that?*

We haven't given the specific size on that one. It is fairly, I would say, business as usual for us. Probably, I would say, exceptionally large this year driven…part of this coming from customers, so some orders are just cancelled, and partly we sometimes take the view that our confidence in terms of that order ever materialising is getting so low that we take it out of the order book. When you always look at the ordering they can order a book in MacGregor year-by-year. You can never match because there is always some clean-up going on with the existing order book. I would say that this year was an exceptionally high clean-up that we did there for many reasons.

*Okay thank you.*

***Question***

*()()() Bank. You had a very strong cash flow in Q4. Could you discuss a little bit about the actions you have taken or is it just normally because of the deliveries and what do you expect for the coming Quarters in cash flow?*

We actually decided in the Summer time that we are not satisfied with our cash flow. We set a specific focus area on that one in terms of management reviews. The top management was incentivised by the cash flow; also we had put a share-based short-term incentive in place for the cash flow. It really came through the increased management focus, a lot of good detailed work in there. High up it was primarily driven by reduction in networking capital in different parts of the operation and making sure that we did collect our receivables in Kalmar also; some networking capital but a lot of making sure that we actually deliver to get the acceptances from the different projects and got the payments from the customers. I think a lot of the practices we put in place in 2013 will also bear fruit in 2014.

*About the MacGregor order book it is now €180 million; how much of that do we expect to deliver this year, how much is for 2015 roughly?*

The majority is obviously for 2014 deliveries but we haven't given an exact number, and of course, that order book now is history; today we should already talk about the order book including Aker Solutions mooring and loading systems. We will revert to this with MacGregor guidance, but as Mika was pointing out earlier we do expect organic MacGregor to grow in 2014 in sales.

I think looking at the 2013 revenue number and giving it a slight increase in 2014 gives you a good picture on that one. One question that hasn't come up but might be in your mind is how much of that order book now in Q4 was actually coming from Hatlapa; that number was roughly €24 million, so it wasn't impacting this significantly.

*The final question about the price competition; how have you seen the price competition develop during the last Quarters and is there more intense or how would you describe the situation?*

Let me start here; one of the profit improvement plans we have is to drive some of our pricing higher. We have already started measures. We are looking at our pricing across the different markets and trying to instil a better pricing discipline and we actually see opportunities to actually price better and increase our gross margins also that way in Hiab at the moment. Some are different, both in terms of spare parts pricing as well as some of the new product introductions, we actually see opportunities to drive our pricing and margin in Hiab. Then in MacGregor I would say that pricing competition, of course, throughout the downturn has been more difficult as people are fighting for less business and that has been very visible in the merchant side, and obviously partly explains the profitability together with the volumes. In offshore, I think the market generally is not that price sensitive but again, even there the competition is pretty tough, but no major changes I would say in Q4 in there. In the Kalmar business, again no significant changes in the pricing environment in Q4.

*Thank you.*

***Juergen Siebrecht - HSBC***

*Good morning; my first question is here on the order intake in MacGregor in Q4. Could you split up here the order intake in the merchant and offshore, and how has merchant developed like-for-like, so excluding Hatlapa quarter-on-quarter? That would be the first question. The second question, reading newspapers over recent weeks I saw that some major oil companies plan to cut back Capex. Is that something that worries you in terms of offshore? What is your assessment on that? Lastly, could you again update here on growth and profitability that you expect here for your acquisitions to () Hatlapa in 2014? Thank you.*

Let me start with the offshore while Eeva is preparing to answer the mixed question in there. It is true that in overall in offshore market there are some signs of softening, maybe too early to call, but actually you need to look underlying because there are different markets in there and what's important from our point of view is that the undersea products and development, both E&P development, actually continues. It is expected to continue very strongly; I think the growth forecast I saw for that specific segment of the market was 36% for 2014. This is obviously the area that requires mostly the lifting capabilities. Then for the deep sea production it is also expected to continue strongly and there the mooring capabilities are very important and that connects well to the Aker business mooring solutions acquisition. Yes, in the big picture there might be potential concerns but then you look at the specific areas that are important for us in the offshore production and we see that demand to continue very, very strong. Eeva, would you take the mixed?

From the mixed point of view, when we think of the order book, as we said a quarter of the order book is offshore and if you at Q4 orders specifically, it was just a few percentage points less. It happened so that one of the big orders which we received was offshore but an even bigger was merchant so that explains the few percentage points. There is no big change in the offshore element as such in Q4.

*Merchant underlying quarter-on-quarter; has it improved; was it stable?*

Both improved quarter-over-quarter because Q3 was very low; it was less than half order intake in Q3, if you compare it to that. I think it is more relevant maybe to look at the full year because of the volatility in the quarterly order so you get the right view, these orders can land in one Quarter or another.

If you look at it over the year then actually very strong growth especially in the percentage terms in offshore but also in absolute terms the merchant marine still grows higher than that, so that hopefully gives you some idea.

*On the acquisitions outlook?*

The acquisitions, so again, when it comes to Aker business, mooring and loading solutions, we are not ready to give guidance at this stage. We are just looking under the hood at the moment as we speak, so we will come to back to that one in connection with Q1. Anything you would like to say about Hatlapa, Eeva, at this stage?

I think what we said on Hatlapa is €18 million sales impact for the two months and €24 million in order intake, so it is a very similar story to the rest of the MacGregor growth wise and as I was saying we do expect growth. Growth as the market activity has picked up and what we see visible in the order intake this year, but that is what we can say today.

*Thank you.*

***Tom Skogman - Handelsbanken***

*Given the current turmoil in emerging markets I wonder how a big part of Kalmar's 2013 orders came from emerging markets.*

All of the emerging markets is, let's put it this way, our exposure to emerging markets is somewhat limited. If you look at the sales by geographic region in there, we obviously, Kalmar business is very much dominated by the European business. Obviously that includes in our geographic with Africa as well, but the Africa proportion is quite, I would say, almost insignificant of that one. America's business is very strong, North American focus there is a very small part of that in South America at the moment. In APAC it is more even the split but the roll-off to APAC is 20% of our revenues if I remember correctly for Kalmar. Australia has been quite large due to large project deliveries, in for example, Brisbane, last year. It will obviously create uncertainty in the market and the impacts of emerging market business potentially, but the exposure for us in Kalmar is somewhat limited.

*I guess it is the same for the other divisions; we shouldn't see any reason from weak emerging market currencies, that shouldn't cause any order weakness for MacGregor as I can understand it. Do you share this view?*

Yes exactly; MacGregor really you can't even look at it necessarily from a geographical point of view because that's obviously driven by the global merchant marine. The ships don't have countries as such. They go where the global trade takes them and offshore, of course, is driven primarily by the E&P exploration and the required demand. In there, in Hiab's case, the product that we are doing is very much designed for developed markets, so we see strong demand continuing in the US, Europe, even though there are some discussions about the potential pick-up in there. We actually see the European situation fairly flat overall, and role of the developing countries in Hiab again, is very limited.

*Thank you.*

***Christer Magnergard - DNB***

*A couple of question; firstly on the Hiab, you mentioned before that you have significantly higher gross margins for Hiab, so I just wonder how much higher gross margins do you have for Hiab at the moment? Secondly, why are G&A costs so high given that the profitability still is lower in 2013 versus 2012.*

The G&A costs first of all I think we should have tackled those costs earlier in the year. We did a number of measures towards the end of the year that resulted in the restructuring charges taking place as Eeva mentioned, roughly 250 people from our distribution and markets. The savings coming from that restructuring there is not yet visible in our numbers. The second impact issue is that some of this one-off type of clean-up projects that we did actually impacted the G&A number as well. Some of them landed in there. Some of them landed in margin. The margin question in Hiab is somewhat complicated. There are some of these one-off type of elements that actually take a hit on the margin, and then also Hiab, generally our business was somewhat impacted more by the currencies as well primarily due to exposure for Australian Dollar/Japanese Yen etc, will be a fairly large market for us. That somewhat diluted the margins but the underlying apples-to-apples margin development was actually going in the right direction already last year.

*Can you say anything about how much higher the gross margin () now?*

Well I would say it is a few percentage points gross margin. This is a fairly good achievement within this timeline.

*Secondly, on MacGregor, could you remind me of the lag from the contracting if you look at Clarkson's contracting for merchant vessels, how long lag it takes before you receive the order?*

There is a pretty good material available of that one, Capital Market Day presentation there, Eric Nielsen also explained the dynamics of that one, but if I try to simplify that one I would say that from the ship order for that to be then ordered from us, it is generally a lag of 6-12 months. Then from our order to our delivery, it is another 6-12 months. From when you start to see ship contracting happening, it is, I would say somewhere between 18-24 months for that to be recognised in our revenue.

*Given that merchant contracting has accelerated throughout 2013 and was very strong in the second half in 2013, does that imply that we should see rather strong ordering in 2014 from MacGregor?*

Yes, we said we expect somewhat growth in 2014, but a big part of that one will also land in 2015 as well. Again, we still delivered equipment and recognised revenues last year from some of the ship orders that they are taking in 2008.

*Sorry, I was more referring to order intakes; have the order intakes improved substantially?*

Well certainly you probably could already see the impact of that one in Q4.

*Finally, on the Kalmar division, you talked about the mix that is favourable in Q4 and if you look at Q4 profitability and exclude all the project costs, it was roughly 7.6% for the Kalmar division. Is that the kind of profitability you have in the order book or is the product mix even better than that?*

As we guided again a €40 million () improvement, a €20 million improvement year-on-year on Kalmar and you can look at the numbers coming through that one. Then one can assume, I think quite safely, that the cost overruns and penalties in 2014 will be clearly lower than they were in 2013. I think that paints you the picture about the Kalmar potential profitability for 2014.

*Thanks.*

***Tom Skogman***

*I remember that Cargotec has commented that the MacGregor margin wouldn't go below 10% and now we ended up at around 8% in 2013. Are you guiding just to come down, I would be very happy to hear some kind of a floor under which the margin will not go, even on a quarterly basis?*

Tom, as I tried to indicate, obviously if we look at Q4 6.6% margin included €4.5 million M&A related costs which I would be brave enough to categorise as one-off. You land in roughly 9% margin, and then the Hatlapa impact negative €2.3 million without them we would be in the earlier indicated range. We are taking clear actions to grow our business and it comes with some short term impact on the profitability which we have tried to be quite clear about, and that is what we are working on.

*Can the margin go below let's say 7% next year when you have rising amortisations? If you look on the EBIT margin level, is that still possible or… how low can it go? You have a long order book so you know quite well what you are delivering and I guess you know your fixed cost there.*

I think our guidance gives you our thinking on our profitability development rather than trying to play with how low things can go or how high can they go. You have our guidance which talks about improving profitability in Cargotec.

*Okay thank you.*

Again, just a reminder that we are in a better position to give you probably a bit better guidance of the new MacGregor, if I use that in terms of then including the impact both of the Hatlapa and the Aker business in connection to Q1.

***Juergen Siebrecht***

*To come back on MacGregor, you have guided in the past for an average order intake potential here in the current stage of sea marine cycle, if I remember right it is was €180 million. We saw growth in Q4 already from an improved environment. Would you dare to give here a new and updated guidance, excluding of course any acquisitions, or would you still stick with that, if I am right €180 million or something for the time being? Thank you.*

That number we obviously gave last year when we had the visibility on the 2013 development and tried to also give you an idea that it will be lumpy, but on average, then certainly Q4 was better than we expected and we are happy about that. Going ahead, I think the challenge in the shipping, what we also do point out in the report is that we still do expect it to be a bumpy road; it is difficult. I am sure there is an average but the quarterly variations, in our view, can continue to be quite substantial. You still have a business where there is over capacity and financing is not exactly easy to achieve. I think there are those types of external impactors that can impact more than what we know. I would not want to give a more exact number at this point.

*Okay thanks.*

Overall, maybe if you look at the () let’s talk about merchant marine for a while. Some of the underlying indicators, of course, are turning positive. We have seen an improvement in the charter rates throughout 2013. We have seen improvement in contracting prices, so the shipyards are able to get higher prices from new shipbuilding at the moment. Having said that, there is quite a lot of speculative buying as a part of the 2013 very strong growth in the merchant marine side, and hence, I think there are concerns or insecurity about the 2014 development in terms of the contracting for the merchant marine. Offshore, as I said, is a different story. There we see the underlying development continue very strongly, especially when it comes to undersea production and the deep water production.

*Thank you.*

***Tomi Railo - SEB***

*A couple of questions if you could help a little bit guiding the financial course for 2014 and given then acquisitions and then perhaps also the tax rate given the lower Finnish tax rate; and then perhaps quite a nice surprise in the group costs, so if you can guide for the level for that in 2014. Thanks.*

On the financial costs you can expect the costs to be somewhat up. We have €100 million more debt on the balance sheet at the beginning of the year, and now obviously we will have closed the Aker Solutions mooring and loading systems unit acquisition so the debt level as of today is even a bit higher. Then one element to bear in mind, that part of the Hatlapa price was paid in the form of a capital loan which carries a clearly higher interest rate than our average debt, so that impact also is some millions of Euros on an annual level. Then on the tax rate, our business volumes in Finland are very small, so even if the tax rate here is going down I don’t expect a big impact on our business. I would say that the level achieved in 2013 is a good level and I would be maybe a bit more cautious just looking at the mix where the US, for instance, is a strong market and the tax rate is clearly higher there. I think that has more impact on our tax rate than Finland just looking at the volumes where we are. Then group costs, yes I think we managed to get a clear reduction there as indicated some year and a half ago. I don’t expect big changes to the level, but let’s say below €30 million to give you a number on that row.

*Thank you.*

## Closing Comments

Thank you, do we have any more questions from the live audience in Helsinki? If not, I would like to thank everyone and wish you a good day. Thank you.