Paula Liimatta

Good morning, ladies and gentlemen, welcome to listen to Cargotech’s January to September earnings call. We have a live audience here in Helsinki and also people on the phone lines. We also have two cameras here in the auditorium in Helsinki, or three cameras, but we are not going to use them so please be relaxed. We will start with a presentation by our president and CEO, Mikael Makinen, and after that we will have time for your questions. We will start the Q&A session from the questions from the audience here in Helsinki and then we take the questions from the people on the phone lines. We are ready to start, please Mikael.

Mikael Makinen

Okay, thank you. So welcome, everybody. We have here today... I have here with me a few persons from our staff. We have Patrick here, and Tina, Ava, our CFO is not here. She is on maternity leave. I think it’s one of the first days now so... but I think that the three of us will be able to answer your possible questions.

But let’s have a look at the January/September report. Let’s talk about Q3: what’s good; what’s bad in Q3? I must say that I’m very happy with the order intake. I will come back to that. I’m also extremely happy with the performance of the company in Q3. I mean the performance in Q3. I’m not happy with the end result of that, meaning that I don’t think this is the highest level we will reach but on our journey, a better company, a better result, this was, in my opinion, a milestone that we can show that I&E is going in the right direction. But let’s come back to that.

What I would like to do is to start this presentation, strangely enough with a picture that many of you have seen during our capital markets day. Why am I talking about this is I think that this is a... this quarter shows that we are really chasing the path of the company. We were struggling... during the more difficult times we were struggling. We were having our one company projects, trying to drive up the efficiency of the company, maybe not focussing enough on the outside world, but here we are not clearly saying that from here onwards it’s a customer focus globally that is our main aim. There are many things we have to do; I will show you later.

This is not the perfect company, bit I think that we have reached one level. We have sorted out those very difficult issues that we had, made a very... I would say that this... we are building a house and we have made the foundation, that’s what we have done. Now we can start building the house. Also, I’d like to show on this picture that it’s a long journey. We’ve said here that the segmentation will really kick in only after 2015, but we are well on the way.
For those of you who remember, we were talking about the four strategic focus areas for the coming years: customers, service, emerging markets, internal clarity. What does it mean? Customer and customer segments: it means that we are going to go through all our products from a customer point of view. Which are the products that we should invest in, other segments, products that we should divest, and for that we need an even better knowledge of our customers, really what the customer needs.

Emerging markets: of course, as I’ve said earlier, China is the must-win battle. You have to succeed in China. It’s… I would say our type of, or any type of global industry, if you don’t succeed one way or another in China, you will be marginalised over the time. Yes, there are many other very important markets: India, Russia, Indonesia, Africa, extremely important markets, but I would say that China is the must-win battle if you want to be a market leader in any kind of industry.

Acquisitions, partnerships, organic growth, that’s the way to go into these markets. Why have I put this in this order: acquisitions, partnerships, organic growth? I really believe that that’s… if you would find a perfect acquisition target, that will be the best way to go. Second best is partnerships. Organic growth you have to do all the time, but it’s, in my opinion, it’s too slow, too slow path.

Service: two first bullet points talking about efficiency, spare parts logistics, distribution centres, extremely important for getting the base even better in service. The second two bullet points: to grow up in the value chain, to support customers’ operation outsourcing which is a very, very big step. It’s very easy to say that someone outsource, yes, we will take it. It’s a very risky path. You have to know exactly which way to go.

Internal clarity: we are working very much on processes, and based on that, we are building up a new ERP system to harmonise all the information systems. That’s also a long, long journey, takes, I don’t know, three to five years to have, from that point of view, a perfect company, but I would say that if you don’t have that foundation, you will never, never be a world class company, and a world class company is a company that has an operating profit from exceeding 10%. You cannot go over that if you don’t have extremely good IT system and platform. For the development of the IT organisational, also extremely important, you heard something about that last time. Oops, sorry.

Then I’m taking a picture here about what is customer segmentation, because we very often get this question; yes, you are going to look at it from customer segment point of view; what are these segments, what are you going to do with them? We are going to classify them in like traffic lights: green, yellow, and red. Yes, you don’t see any concrete names here that we are going to invest in that, or divest that one. That’s an ongoing, our ongoing journey, but what I try to say in this picture is that this is the way we are going to analyse it.

Typically industrial or all Hiap is not a segment. It’s a combination of products: the inter-urban distribution, base management, military, they are segments, so sometimes people make the wrong conclusion, or we get the question, are you going to divest Hiap, Kalmar, or MacGregor; no, that’s not the answer, but the answer is that we are going to go into segments. We are most probably going to divest certain products, and we are going to invest heavily in some of the products where we feel that we can be the market leader, world market leader, and then there will be products in-between where we will harvest.
They will be the cash cows, maybe not so much R&D. We will go through distributors, and so on, so I hope that we will use this picture in the coming presentations, and then slowly you will see also products, companies being added to this list. Now this is still only theoretical background of it. So I would say that this is actually the big step for the company forward, chasing it from what we were, having built the base, now we take the next step building it into a customer segmentation company.

Financial targets you have all seen. We have not changed it. We announced it after the strategy work and after the board meeting that our next step financial targets are the same as they were already in 2007, then came the recession. Gas Gearing (?) is far below 50 but it’s over the cycle. As I told you earlier, to be the market leader we have to make acquisitions. We are all the time looking at companies to acquire in certain segments. Cesco 10% dividend operating profit margin, as earlier.

Let’s go into the highlights of January/September asset. Markets recovered in all segments. Order in taking in Q3 was 56% up year on year, and I must say that this is an extremely good figure, taking into consideration that industrial, part of industrial and terminal, industrial really had two summer months which are always slower, so from that point of view, extremely good. Sales also 14% up, but there you can also see the seasonality. That’s a the good figure. Last, but not least, industrial and terminal profitability improvement: this is something that we have been waiting for. We have been building... we have built the factories, we are building up the production volumes, and now we can see that it has a positive impact. It was a theoretical calculation until we also can really see that, hey, it works exactly as according to our expectations.

Marine: profitability I will come back to that a bit later. Cash flow continued healthy. We are still working on cash flow. It was a bit easier last year because you had so much that you could take out and have a positive cash flow, but I mean this year it’s really, really, really on a good level, and I must say that I’m very, very happy with that.

Slide number ten is a busy slide. I’m not going to go through all of it but market environment; I must say that on the load-handling side, a very interesting comment is here on the first bullet point, last sentence: the Americas have seen the most powerful recovery. This is very extremely interesting in my view. Remember that Americas was the first one, if you remember, November 2008 when the market just collapsed in US, it just collapsed. Remember I’ve been telling you that there was one month when we went from 3,000 loader crates to three in order intake, and now we have seen remarkable recovery in that market.

Container handling: many, few quarters we have already said the project amount is increasing. It’s still increasing. This is a very interesting situation. One day it will be… either they will be ordered or they will disappear but it’s an extremely interesting situation right now. I have actually not seen it before that it’s piling up, piling up, new projects, big projects, and nobody makes a decision. What does it mean? I don’t know.

I believe that what will happen is that the first one will be ordered. Okay, we get the order, someone else get the order, I don’t know, and after that, they will come, and after that the competition will start to… not our competition, but the competition to… the one that orders, the first one will really be, hey, we also have to make this… now we have to order; otherwise we are late.
Marine market is still good. Bulk carriers, containers coming back… container ships now are a bit different from the container ships that were order four years ago. They are slower. The average speed of container ships has gone down which means that you make them a bit bigger. With the same engine power you can transport 10-15% more containers, and that’s why you will see orders, orders coming in a bit more than one would expect. Service: clear improvement, not a huge search and service. There’s still uncertainty in the market. That service is picking up.

Sometimes I must say that people over-estimate the importance of service for companies. I would say that the world class companies, they are always very, very good at also producing products. So it’s not so that the one who has the highest percentage of service of their revenue, that they are the best companies. I would say that the world class companies, they always are driving extremely good profitability also on products, not only on service, so I think that that’s something to keep in mind. There is a balance. Looking at the key figures: of course you have seen all of this operating profit 43 million, good figure, 6.7%, which is very good, interest bearing debt going down, 264 now, earnings per share, 138, and as I said, orders on a good level.

If you look at the different businesses, let’s start with industrial and terminal, orders grew by 40% year on year, strongest growth in industrial and terminal. Remember I told you that industrial, the strongest growth was in Americas, but if we take the whole industrial and terminal, then the strongest growth is in APAC. There’s also a mention here about 55% of the orders still coming from EMEA. Although Asia is growing, America is growing, this is for us, still here, still very much of it is EMEA-based. But if you take the seasonality added to this three point… 389, I would say that we are on a very, very good path.

Marine: again strong, and a big number of projects in the pipeline, so it means that the peak of marine revenue is actually postponed to next year and we will still have a number of good quarters ahead of us, even with this order book that we have. Also bearing in mind that 85% of marine’s orders came from Asia, so it’s a totally Asian dominated business, and this could turn in a very, very interesting position. There are not many companies in Europe with 85% of the order intakes comes from Asia. I must say that this is a strength that we have not utilised in INT well enough, but now we are moving people from marine to INT and so on. This must be one of those companies that are the best performance in Europe in how to perform in Asia, the marine part, extremely happy with that. We have very few expats there. We have built up a local management taking care of that business. The business model, as we have discussed earlier, is good, so extremely happy with this business.

Sales grew by 15% in terminals and industrial and terminal and 12% on marine, also a good figure. Operating margin for industrial and terminal: this was really… I must say that this was really the acid test, can we bring it back to the right track, and yes, we have been able to do that. Long work, many years of struggling, but now it’s on the right path. As I said earlier, 4.2; am I happy with that? I’m happy with the curve; I’m not happy with the 4.2, no.

Marine: for a number of quarters we have said that, hey, we had an extremely strong order book during the real boom and that will one day end, and now you can see that it has
turned the other direction. We have also said that we don’t see any reason with the big order book for it to be less than double digit, so it will be on a good level, but it will not be on the Q2 level; extremely happy with this performance I must say.

Gross profit: we also get the questions about the gross profit. Yes, it came down now a bit but it’s a mix, a product mix, nothing that worries me. I was much more worried about the curve going down and down, and then us bringing it up now but small variations, nothing to worry about.

Cash flow: same networking capital decreased to 89 million, good performance, 66 cash flow. Service, slightly positive, increased order intake on service, but I think that this is part of the… I don’t think we have lost market share or anything in service; it’s more our customers that are much more cost conscious than before. They say that how long can they run their equipment before doing service and so on. Earnings per share: pure mathematics, extremely good bounce-back from what it was.

Now for the whole group: EMEA and APEC are equal in size on sales. Again, if you remember when I came, that was one of the ideas that we had to get a more balanced… I believe, in my opinion, the Americas is still too small but we are working on that as well. We should have three, almost equal sized geographical segments.

Key priorities: okay, we are coming already towards the end of 2010, but just to remind you that they are preparing for a growth strategist, as I said earlier, going into the segment. We’re by far the market leader in those segments that we choose. Focus on research and development: we have many new products coming out, environmentally friendly products, totally new type of products.

Service concept: I was talking about that a bit earlier. And then, of course, we still have this ongoing that will go on forever efficiency targets, how to be more efficient, what can you do better, how can you get more out of this machine? We actually reduced… when we did the one company we reduced by two layers the organisation. Is there still one layer that we could take out, maybe not today, but when we have the processes ready, most probably yes. We have mapped about 70% of the processes now, so we are well on the way there. That’s a must for ERP system to have processes.

Outlook: we get a new guidance on the outlook, 120-130 million including one-time restructuring costs. Of course, based on where we are today, I’ll most probably get the question that, hey, isn’t this too low; why have you given a guidance like that? There are some uncertainties. There is, of course, I mean I must say the biggest uncertainty is actually that are we sure that we are… that the marine customers opened their LCs (?) in November/December, or will the postpone it to next year. That will have an effect on this figure. But I’m not at all worried about the lower range on that, that we wouldn’t reach 120. It’s then a question of where are we; are we close to 130; are we just above it, just below it; that remains to be seen. So, that’s where we are.

Paula Liimatta

All right, thank you, Mikael. Now we are ready for the questions. Let’s start with the ones here in Helsinki. Please raise your hand and wait for a microphone and state your
name and company before asking. As Mikael already mentioned, we have Patrick Charbeau and Tina Naumanen to help with the answering.

Questions and Answers

Pekis Point (?) – Polular (?) Bank

My question concerns the fourth quarter outlook. When you look at the guidance and this very strong third quarter, it means that the fourth quarter margins would come quite low, and it should be seasonally the strongest quarter typically. Will there be some extra course or is there some explanation for this?

Mikael Makinen

There are, of course, some costs, but they are not very big ones. You know that we have an ongoing discussion in Tampery (?) for a reduction of close to 100 people. I don’t know the outcome of that. That’s an ongoing discussion. Then we have to remember, as you saw, that the marine peak margins have been reached, so it’s a marine coming down, so that has to be offset by INT. It will not be a dramatic drop but that has an effect if the marine volume is big, so there’s no extra, extra anything that you could not calculate but this is the dynamics here. INT has to go up; marine will come down a bit.

Right, thank you.

Mercles (?) – Swer(? ) Bank

Two questions: first, regarding the group tax rate. It seems to be on a roller coaster ride. Is the cumulative Q1, Q3 rate kind of representative for full 010? That’s the first question?

Mikael Makinen

Now, Tina.

Tina Numanen

Is this one, yes, it seems to be. Yes, we are estimating that the full year tax rate should be approximately the same as we have now cumulative in Q3, so there is no big extraordinary items now either in this cumulative figure, or we are not estimating that in the full year there shouldn’t be any.

Okay, thanks, and another one regarding you mentioned ERP system: have you already chosen this system supplier or partner you have there, and how far are you actually in that, or are we just in a starting point?

Mikael Makinen

No, we are just in a starting point from the group point of view. We have an SAP system in marine, so that’s, of course, a very… but we haven’t chosen the system, no. Now we
have other systems so we will… we are not only interface (?). We have to get the processes right first.

Okay, thanks.

Sasil Rustniki (?)- Carnegie

Thanks, it’s Sasil Rustniki from Carnegie. Got three questions, if I may ask them one by one: firstly, can you give us an idea of the FX impact on the order intake, industrial and terminal?

Mikael Makinen

Tina, you want to comment or Patrick, on the effects?

Patrick Charbeau

We haven’t seen a big impact on that currently. I mean we have, of course, tried to manage the currency risk but no big impact now in the third quarter, on that, on the whole picture as such.

Patrick, can you elaborate on that a little bit since on one hand you say that you’ve seen the biggest increase in order intake in industrial business in the US; and the other hand you say you have no effects impact. I don’t understand how that’s possible.

Mikael commented that we have a good development there but on the industrial side we went down quite a lot so looking at the total cargo (?) therefore, that increase is still not that big, so that’s the reason why we have a good development there, but it went down quite a lot on the industrial side, so there is still a lot to go to have a big impact on the Cargotec level.

Mikael Makinen

And then we have to remember on the foreign exchange, we have a company where we have production units all over the world and we have a component manufacturing all over the world, so it’s not so simple that if you sell to US and effects this one, but many of the US products come from Europe, some of them come from China, which means that they are in a way dollar based and so on, so it’s an extremely complicated system and the more… we are not going to talk about the result. We are not going to say now or ever that because of the foreign exchange, this is… has a positive or negative effect on the result, because it... the variations are such that... I would say that that’s a… that’s a professional management’s team job to manage that. It’s more difficult if you are in bulk, if there’s a world market price for steel or something that is based on one currency, then you have... then you have this, but we don’t have that.

Salzoris Mick – Carnegie

Okay. Then from the numbers it looks as if the industrial business had order intake decline sequentially from the second quarter. Can you confirm whether this is correct and is it just purely seasonal impact or...?
Mikael Makinen

The... did you say the...?

The industrial business.

The industrial business has seasonality, definitely, because we have to remember that people start to... they order in May and then June start to be the holiday season in northern Europe, July, early August, holiday season in central Europe. There is... there is this seasonality every year.

Okay. Then finally, you mentioned on the group level that the gross margin had some contraction due to mix issues. Can you just talk us through what these mix issues are? What parts of the mix have higher and lower across margins?

No. We have not elaborated on that but there is... there is... there are different cost margins in different products. That’s as simple as that. I’m not trying to say that we are not worried about this small dip. I don’t see it as a trend.

Thank you.

Jan Cava – Nordia

Okay. Jan Cava, Nordia. Just coming back to this previous question. I mean, could you once more sort of repeat and elaborate on this? First of all, industrial. What was the seasonality effect? And then the Americas, did they play a role in sales and orders? And the same for the terminal side, the seasonality effect and the Americas, did they play a role in sales or orders, just to get this matrix right.

Mikael Makinen

Okay. In industrial, definitely Americas had a positive impact on order intake and yes, also on sales. Terminal sides, no, I wouldn’t say that Americas had no impact there. No. It was quite even all over the world, or more in Asia actually, because the total was then Asia dominated, so... So no, you cannot see a recovery on terminal side in Americas.

Just memory’s doing me tricks. You say that you had this one big order, well, not one but several orders, 200 terminal tractors (?) in the US and an order for 14 (?). Was that in the Q3 numbers?

Yes.

Tina Noman

Yes.

Okay. So in that respect, Americas would have had a positive impact on terminal side orders in Americas?
Terminal tractor is not a very expensive product compared to many other... many of the big terminal products.

**Salzoris Mick – Carnegie**

Yes, it’s Salzoris Mick again. We just had one Swedish company in the engineering industry warn that the steel cost increases are going to put a big margin dampener on next year’s earnings. Now, we can see that from your marine margins this year you’ve benefitted quite a lot from cost escalation clauses related to steel. How do you see that steel issue affecting your margin development in 2011?

**Mikael Makinen**

If you take marine first, you have to remember that it’s actually in... close to 90% of the orders, they are steel new drop (?), so they are... I mean, it has no effect on us. Why is that? It’s so that the big shipyards who actually order the equipment from us, they have a much more favourable... they are talking about huge volumes when they buy, so we piggyback on their volumes. So from marine side, very, very minor impact. Some cranes but that’s not the big one. If you go industrial and terminal, could have a big impact if we would not be careful in... if we get a very big order, with big ship to shore cranes with delivery after two years, but I mean, we are taking that into consideration. It’s a bit easier because they are project based. We know when they deliver and of course, we have people who are tracking steel prices all the time and making analyses (?) from here onwards. So no.

Sorry to stress the point, but clearly the marine business has had a structure of cost escalation clauses that worked in your favour in the last cycle, or last couple of years, so you don’t see that as a problem for 2011? You think the cost increases are going to again be passed onto customers?

The cost, when you talk about cost, you are actually talking about man hour cost. The rest is passed on, and the man hour cost is a bit easier. In marine, you have to remember that you always have two contracts. You have one contract for equipment, design, supervision, another one for actual delivery of that product, and of course, as you can guess, if the delivery includes steel, that the customer buys the steel, sells it to you and then you make a crane or a hatch cover (?) out of it, sell it back. As you guess, the margin is lower on that part of the contract than on the supervision part.

**Tom Scomer – Hammerzbank**

Yes, this is Tom Scomer from Hammerzbank and I have two questions. First of all about the production inefficiencies, given that you have opened a new factory in Poland during Q3 but still the EBIT margin is up without sales growing and gross margins going down, and what... how do you see this going forward? And I have another question after this.

**Mikael Makinen**

The question about Poland, yes, you are totally right. You... those of you who visited Poland saw that it’s a new factory starting up. It doesn’t have... it’s not close to its nominal capacity but we are filling it up product by product all the time, so it’s getting
better and better from that point of view. Then you had... the other part of your question was related to...?

Yes, just how this looks in the future. Will we have smaller inefficiency costs every quarter going forward from this level where we are now, or how does it look, given that you’ve just opened this and you have reshuffled so much your production? And when you look at the gross margin, it’s flat quarter on quarter but still the EBIT margin is up with flat sales, so it’s not coming from leverage in that way then.

No, but you are totally right, that we will not see, how should I explain this?

The question is basically is most of it already seen or is this just a continuous trend that continues even with flat volumes?

Yes, even with flat volumes.

In the same speed the next couple of quarters or is the big thing already seen in the reported numbers now, in terms of decreasing inefficiencies?

A big is maybe not... maybe it’s a continuation but doesn’t mean it’s a straight line. We have seen a good increase now, then it will be flatter, then it will be up again. It’s when you move products to one factory to another, and especially in the moving phase. We haven’t moved that many products yet to Poland so there is not the double cost yet, so you get the efficiency but then you get the double cost while you are moving, maybe a double cost for one quarter.

Then my other question is about some kind of underlying feeling what’s happening in this terminal side. We have spoken a bit about this but still I lack some kind of a feeling just when you look at the different product segments within the terminal or the container (?) business. What is really happening sequentially? Do we really see that it’s some kind of an improvement still despite what you say about the sluggish demand still in the...?

Yes, of course there’s an improvement, because many of the terminals have under-invested for two years, and now the volumes are back, container handling volumes are back on the level that they were during the peak. So replacement, you will see this continuation of replacement order intake.

But in what products do you see that now in the order intake in Q3? Do you see it in straddle carriers or these lift trucks more kind of products? Or is it so that the mix is tilting basically to this lighter equipment now?

Yes, as long as you have replacement. Nobody will buy a replacement ship to shore crane, but it’s exactly what you’re saying. It’s () stackers, terminal tractors, the smaller products, () products, that what you replace.

Thank you.

Paula Limata

Okay, if we don’t have any more questions...
Mikael Makinen

Here. Here was one.

Paula Limata

Yes. Tommy. Please.

Tommy Ryder – SBS Gilder (?)

Tommy Ryder, SBS Gilder. If you could just discuss the length of the order book in the marine side, how much could we assume to be delivered in 2011? And in terms of new orders you are taking in, what are sort of the delivery schedules there? When do the clients actually want them? Already in 2011, or maybe 2012? And also if you could maybe discuss the quality of the orders you are currently taking in. My second question would be any indications for capex levels 2010, 11 and 12?

Mikael Makinen

Capex level, it’s below depreciation now, if you look at it. You should calculate it just about (above?) the depreciation. That would be the... that would be the answer for the capex. If you then look at the length of the order book, let’s start with marine. Marine has a very healthy order intake now, so we don’t give any guidance for 2011, but I would say that... or I could say that it’s not... it will not be lower than this year, just to give you an indication but there is no... And if you go then to industrial and terminal, as we have said earlier, on the industrial side, the normal delivery time is three months, so three to five months from order, just to give you an idea. Terminals, depends on what type, six to 12 months from order, and the 12 months, 12 to let’s say 16 months, that would be for a big project, that I was talking about, that there’s piling up of these big projects. So that gives you some kind of indication where we are.

This is a housekeeping question. You had a €71 million order cancellation in marine. I’m just asking whether 294 is a gross number or a net?

The two... the order intake number?

Yes.

It’s... yes, you can answer, yes.

Patrick Shelpel

It’s the gross number, so cancellations in the order book, () book to the order book, when they are from the previous years.

Okay. Thanks.

Mikael Makinen
It’s very tricky. That’s the way we have to do it, that you take it out of the order book, we have it here, but sometimes it might even be the same ship that is cancelled here and another ship owner buys it here, but for us it’s easier to give the new number, cancel it here, take it in here. If you go over a very long cycle, then I would say that 5% is a figure I looked at over ten years for marine. That’s kind of a normal call it cancellations. Just if you want to have an indication of them, now we are on a normal level, and of course, the longer we go for every month, yes there was a big number of cancellations, there were a few, few bigger cancellations here, higher than maybe some kind of average would be, but in general I would say that the cancellations, number of cancellation threats is going down, down, down all the time.

Paula Limata

All right. Now we are ready to start to take the questions from the people on the phone lines. Operator, please.

Operator

The first question comes from the line of Tino Fiskines from Deutsche Bank in Helsinki. Please go ahead with your question.

Tino Fiskines – Deutsche Bank, Helsinki

Yes. Hello. It’s Tino from Deutsche in Helsinki. I would have a couple of questions please. First one is basically, you know, I cannot help myself going back to this fourth quarter guidance that was already touched upon. I mean, you know, your sales guidance basically is implying a 100, roughly 100 million increase for the fourth quarter sales volumes compared with the sales one, and you know, and at the same time, your upper range of the EBIT guidance is basically implying that your fourth quarter EBIT margin will be roughly 5%, down from 6.7 reported in the first quarter. So I mean, you know, this would mean that the volume increase sequentially means a very negative drop through (?), despite the fact that the marine margins should by all fairness come down. So I mean, you know, if there are some kind of additional costs or something that you know but, you know, we don’t know, or how that... does this mathematics actually work?

Mikael Makinen

Do you want... does anyone want to answer? Nobody wants to answer that question. No. There is nothing... there is nothing. Yes, I mean... As said here earlier, we are sure to make the 120 million, it will be about that, how much about that, this is the range we have actually given now, but there is no one single... there is this uncertainly about the delivery and of course the uncertainty, we have been more looking at the operating profit, 120 to 130, but you are totally right, but in this uncertainty, it might be that in that case, if it’s a negative, if you take the negative view on it, that would mean also that we would be in revenue below, because otherwise the mathematics doesn’t work out. Yes.

Yes. Okay. Fair enough. Then the second question actually relates to the... you say in the report that you have basically seen some pricing pressure in the project business, basically in the container handling side, so could you just, you know, walk us through
that, you know, the how bad it is, what is the current project demand situation and have you turned down prospective projects just, you know, because of the low pricing?

Yes. First of all, we are very strict on the price level. We haven’t turned down because nobody has got those orders, but we will be very, very strict on those, that if the price level goes below an acceptable level for us, then we will turn them down. Talking about the price pressure on that, of course there is. I mean, think about it. There’s... it’s more than two years since anyone has ordered a big project. It’s a huge prestige for those who get... the one who gets the first project. This is... it’s really a fight there in the whole market, and all the players are there, everybody would like to have the first project. There are maybe six, seven big projects. We don’t know which will materialise first but yes, there is a... there is definitely a... it’s more a prestige competition than anything else. So we will see. And we are very strict on, as I said, on the pricing.

Prices. Right. Thanks. My last question would actually be just that could you quickly, you know, repeat what you did answer the () question on the steel cost and its potential effects for 2011, because you know, here at the phone lines someone put a music on at the time and at least, you know, I was not able to hear anything.

The music was here as well.

That actually really, you know, happened and then I jumped on the website but then, I mean, you know, I suppose everyone else on the lines did the same and also, you know, the sound from the web died at the same time, so...

The big question about the steel price increases is of course the big volume of steel that we are using is coming from marine, it’s on a level of 130 to 160,000 tonnes of steel. It’s a huge amount of steel and that’s totally passed through to the customer, so it’s steel neutral to us. We will not make more money if the steel price goes up, we will not make less money if the steel price goes up. If you then look at the terminal business, then it could have effect on the big deliveries, big projects and as I said, they are project based so we calculate them very carefully. We have our own team who is analysing the steel prices. So no, I’m not too worried about the steel prices. If you then go to the smaller equipment, the industrial type of equipment, there we just have to increase the prices when and if the steel prices go up. So I don’t see it as...

As a risk, big risk. Okay. Thanks. Fair enough. You know, that’s all from my side. Thank you.

Thanks.

Operator

Once again ladies and gentlemen, if you do wish to register for a question or a comment at this time, please press star followed by one on your telephone keypad. To cancel your question, please press the hash or pound key. The next question comes from Johan Iliasa from Sheva in Stockholm. Please go ahead with your question.

Johan Iliasa - Sheva
Yes. Hi. Just a bit of housekeeping. Could you remind me of the total sort of structural cost cuttings you’ve now achieved over the last few years, and if there’s something more to come? I heard you discussed a little bit of a double cost in the quarter but it was difficult to hear the details on that one, if that would be impacting this as well, that would be great.

Mikael Makinen

First of all, the double cost is more related to when you move products from one place to another, then you have a double stock, you have double overhead costs for that product, so that’s the type of double cost we are talking about. If we then go to... Tina, would you like to answer, Tina or Patrick, so we have exactly the right figure?

Patrick Shelpel

As said in the report, so we estimate that the annual costs are exceeding the 150 million was achieved this year, so that is what we still believe.

So that’s the full (?) impact already hitting EBIT (?) this year, so to say (?), so you can say the 120 to €130 (?) you’re expecting before charges, 150 is really coming from cost savings?

Tina Noman

It is closer to 150. The small remaining part of the negotiated were finalised in March, so it’s closer to 150 this year.

Excellent. Many thanks.

Operator

The next question comes from Sebastian Gilbert in UBS in Frankfurt. Please announce your question.

Sebastian Gilbert – UBS, Frankfurt

Yes. Good morning, ladies and gentlemen. Just a couple of questions. Can you remind me on the number of cost savings you have achieved in terms of higher volumes, which you have flagged (?) with your on the move programme which would lead to some 40 million cost savings in total? Then the second question would also be on potential margin drop in the fourth quarter with regards to your Polish factory. Thank you.

Patrick Shelpel

Can you repeat the first part?

Mikael Makinen

Can you repeat the first part? It was very difficult to...
Well, when you have launched the on the move programme, you have initially indicated that half of the cost savings are structural ones and half of the cost savings, 40 to 50 million, could be also volume related cost savings. Have you seen any of these volume related cost savings or are they dropping through?

Patrick Shelpel

Of course, when we launched the on the move in that year, so from that, the volume has gone down, so we haven’t really seen the volume impact yet, but of course that... when the volume starts to increase, that will have a positive impact in the future, but now we are on lower levels, so then no volume impact in this year.

Mikael Makinen

So the volume impact is still to come. Margin drop because of the Polish factory, it’s not really a margin drop because of the Polish factory, it’s more an extra cost, as I said, because we have moving products from one location to another.

Okay. Thank you.

Operator

We currently have no further questions on the telephone lines. Thank you.

Paula Limata

Do we have any more questions in Helsinki? Tommy, please.

Tommy Ryder – SBS Gilder

Yes, Tommy Ryder, SBS Gilder. Your name has also been mentioned recently on the consolidation picture in the market. Have you had a look at Denmark for example, or would there be certain parts of Denmark you would be interested in acquiring? Second question is that of course your balance sheet has strengthened quite nicely. Any thoughts how much firing power would you consider yourself to have in terms of acquisitions which you have been indicating recently, but some () what your thoughts are?

Mikael Makinen

Talking about Denmark first of all. I think that right... first... let’s put it this way, in my opinion, Denmark’s... today they’re... it’s on that level, it’s very difficult to calculate, that you would... it would make sense to acquire Denmark. But let’s say that it would be on whatever level, would we be interested in it? We would be interested in the terminal part but we will never be interested in buying the whole, because as I said earlier, we will go into certain segments and to buy something new and to build a segment out of that doesn’t really make sense. So total Denmark no, if someone wants to sell us the port part, yes, we will have a look at it. But I think, as I said earlier, that the must win battle is China. I think that people are sometimes making the mistake and say, okay, the winner is the one who can combine European manufacturers. No, the winner is the one who has a good
success in China. So it’s not... it would not be priority one, even if it would be... even if part of it would be for sale. Your second question I already...

**Paula Limata**

Balance sheet.

**Mikael Makinen**

Balance sheet. Yes. Does anyone want to give a...? It’s of course definitely much more than it was for a year ago, and that’s why we have it like this. We have to have a firing power of hundreds of millions if needed, because we have decided to be the consolidator on those segments where we are going to go in. We feel that there’s much to do on the marine side, new equipment, very much to do on the offshore side and so on, so there are many interesting areas.

**Sandra Ka – FIM (?)**

*Sandra Ka, FIM. In marine, do you think the Q3 order intake level represents world underlying demand or was there anything special in that?*

**Mikael Makinen**

It’s very difficult because it’s more than, I think almost two years that we have said that it cannot continue like this, but yes, it seems to be that level, yes. There is huge number of offshore projects, very big number of special vessel projects which for us are extremely interesting because the revenue per ship is much higher than on a bulk carrier, and so on. So in the foreseeable future, that’s yes. It might drop off one day but it looks nice.

*Okay. Thanks.*

**Unidentified male**

*Hi. Just on the timing of the marine orders, what kind of lead times are you typically setting at the moment, that in other words, of the order intake you’re booking now, say, in Q4, how much is very short term, kind of three to six months and how much is kind of beyond 12 month lead times?*

**Mikael Makinen**

Nothing is three to six months. Nothing is. I would say that everything is... then you have to... okay, you have to take away service orders, they are of course coming (?), but the product orders, you calculate that nothing is between... below 12 months, very seldom. That’s in the case of a cancellation or something new coming up.

*So just in terms of then thinking 2011 order intake again, excluding services, is there going to be much contribution to 2011 revenues from those orders?*

Fairly small contribution.
Thanks.

Paula Limata

All right. If there are no further questions, we are ready to close the session. I’m very sorry for the technical problems we’ve faced today, but please remember that we have... we will have a transcript and of course the record of the audio cast placed in our website later. The webcast will be there later today and a transcript during the couple of... or a couple of days, so please look at those, read those, listen to the audio cast record if you missed some of the answers. Thank you and have a nice day.

Mikael Makinen

Thank you.