

Cargotec Corporation
937150
Thurs, 24th October 2013
14:30 Hrs GMT
Chaired by Paula Liimatta

Paula Liimatta

Good afternoon, ladies and gentlemen, and welcome to Cargotec's conference call on January-September 2013 report. My name is Paula Liimatta and I am the Head of Investor Relations. Today we have a small 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 the Q&A session. Mika, please.

Mika Vehviläinen

Thank you, Paula, and, from my behalf as well, a very warm welcome to our Q3 conference call. I will start with a short overall view on the results and then Eeva will continue by going through the different business areas and some further details regarding the Q3 results and then I will conclude, talking a little about the results improvement or profit improvement initiatives we have going on and give you an update on where we are there.

First of all, if I look at the highlights of Q3, the order intake was at the comparison level slightly up. It was primarily thanks to the Kalmar development and also MacGregor was up year-on-year level. Sales declined by approximately 5% year-on-year, the primary decline coming from the decline of sales of MacGregor.

The operating profit, excluding restructuring costs, was slightly below last year's level and a slight improvement over Q2. The primary reason for the change is again the changes in the top-line and profitability of the MacGregor business area. Operating profit overall was €31.2 million compared to the respective Q3 2012 of €38.5 million.

The cash flow was improving and pointing in the right direction and Eeva will talk a bit more about the cash flow as well. The overall cash flow from the operating activities in Q3 was €38.2 million. Cash flow is one of the focus areas for us for the remainder of the year.

We have also today announced that we will delay the listing of the MacGregor business unit. The reasons are primarily twofold. The market conditions overall in merchant marine, especially (), and, even though we see an uptake already in the order intake and an increase in activity in terms of the merchant marine order intake, the delivery is still an issue this year and will be with us for sometime. So we don't feel that the market conditions for the listing are optimal at this stage. The other reason is that we have announced the acquisition of Hatlapa, which we expect to close in the very near future and

the integration activities and management focus required for that one is better spent on integrating the businesses and looking at some other opportunities rather than focusing on the listing in this market environment.

If I look at overall the results on the next slide, I wanted to specifically highlight the EPS here and give you a heads up in terms of Q4 here. We expect the Q4 EPS to be weak. This is really driven primarily by the taxation reasons. The biggest reason for that one is that, as you probably know, the corporate taxation is changing in Finland. It is going to go down from 24 to 20% for next year and Cargotec has a number of deferred tax assets that we are then forced to write down in Q4. This will result in approximately €49 million extra tax costs for us that will be, of course, visible in our EPS during Q4. However, this tax cost is a non-cash flow item. The other issue is linked to the legal separation of the MacGregor business unit and there will be some tax consequences of a couple of million euros potentially on that one. These will be sort of one-off items also from that sense and these will be cash items primarily related to the selling of the subsidiaries.

Overall, if you look at the performance development, as said, the orders are slightly down also sequentially as well as the revenue. However, profitability is slightly up sequentially as well.

With that, I would like to hand over to Eeva, who will cover the business area performance and some other items a bit more in detail.

Eeva Sipilä

Thank you, Mika, and good afternoon to everyone on my behalf as well. Starting on slide 6, MacGregor performance, we continue to say that we are seeing the market recovery and obviously visible in our order intake growing 25% year-over-year. Now I do realise that quarter-over-quarter, of course, there is a clear decline. You should remember that in Q2 we had several very big offshore orders and those orders are lumpy by nature. Luckily, we have had a good start for Q4, just this week announcing again a big offshore order. So our message on the market is very much the same.

Good nevertheless to remind everyone of the lead time in MacGregor, which is clearly longer than in the rest of the business. So, even if order intake is picking up now, it will take more than a year before it really starts showing in sales. Sales in Q3 for MacGregor were actually a disappointment. We had hoped to be able to deliver clearly more than the €200 million we were able to deliver and that obviously led to a change also in our guidance last week. We now don't expect this trend of customers postponing deliveries to immediately change. So we expect a similar level of performance in Q4 and that is, unfortunately, than we had planned for the year. This is the main reason for the profitability which, as such, is still at a healthy level.

Going into Kalmar, the small side equipment business continues healthy, some slight improvement in the larger equipment but it is still overall a bit modest. Comparing year-over-year, the order intake, good to remember that we had two big automation orders a year ago in 2012 and now in this quarter we did have one important repeat order from one of our first automation customers but, nevertheless, the overall number of order intake was €366 million. A slight decrease in sales again year-over-year. However, quarter-over-

quarter we are on a better track and we expect to have continued higher growing deliveries in Q4.

Profitability 4.4% – this is hit by an additional cost of € million in projects. We are, unfortunately, continuing the same message we have had in the previous two quarters of the year, that we continue to struggle with these old projects and their deliveries and that is having an impact on the EBIT performance of Kalmar. Excluding these, we are nevertheless seeing an improvement in the underlying business and that, of course, gives us comfort when going ahead that we are taking the right measures to improve the overall performance in Kalmar. The situation with these problem projects at the end of September was such that we had roughly €20 million left in our order book and that will obviously continue to decline as we progress in sales in Q4 but some will be also left for next year.

Hiab – here not much to say about the market; healthy in the US; Europe continues to be a bit – dependent on which country you are talking about and overall, of course, a bit uncertain, as you can imagine, by the overall economic profile of the region. We had, however, year-over-year 6% growth in orders and 4% growth in sales and also here a slight improvement in the margin. So we are going in the right direction when you look at this year's performance.

Then going into Group numbers again, cash flow (as Mika already pointed out) a bit better. We are clearly () capital and work-in-progress in the beginning of the year and some improvement now but, obviously, we still have a lot of working capital on the balance sheet, which we are focusing very much now to push ahead through deliveries and collection of receivables.

Looking at our sales in services, 24% of the total, €182 million for the quarter. Unfortunately, very little growth visible in this graph, especially on the MacGregor side of the market. Customers are saving money and that has an impact on their numbers. The market situation in Kalmar and Hiab is slightly better.

Then looking at these graphs just to overall wrap up how the Cargotec portfolio looks like, the share of Kalmar continues to increase as we have seen in the earlier two quarters of the year and a slight decline in Asia-Pacific sales as the share of MacGregor decreases and there obviously the Asia-Pacific exposure has been the highest, but nothing dramatic to report about this slide as such.

With that, I think I will give it back to our President and CEO.

Mika Vehviläinen

Thank you, Eeva. On slide 12 we have our outlook. This is what we already said last week and it remains unchanged. We expect the sales and operating profit, excluding the restructuring costs, for 2013 to fall short of 2012 numbers. In terms of then the quarterly update, Q4 has generally been the strongest quarter of our year and we expect that trend to remain there also this year but not significantly different from the performance from Q3.

Moving on and a small update, in July in connection with the Q2 announcements we gave you a little bit more detail in terms of what are the practical measures and projects and programmes we are driving to improve the profitability across the Cargotec organisation

and I thought I would share some of the actions taken and where we are in terms of the projects. So on slide 14, this was the overall picture. We are, now very much focused on reconfirming and executing the key improvement initiatives that we have communicated to you at this stage.

If I start with Kalmar (slide 15), this is the programme picture we gave you in connection with the Q2. If we now look where we are and what we have achieved so far on that one, quite a few things have actually moved ahead. First of all, in terms of the organisational efficiency and refocused R&D, we targeted roughly about €20 million cost savings in Kalmar business and we can say that we are actually reaching those targets within the year.

In project delivery and capability development, now all the projects are actually within the (). This gives us a better visibility and control environment. Unfortunately, also the other side of the coin on that one is that, whilst we have been able to do that and improve the visibility, we have also detected the cost overruns better and again a disappointing € million overrun on those projects in Q3.

The ramp-up of the Poland multi-assembly unit started and Kalmar production started already in the beginning of the year. Today more than 50% of our European products are already coming out of the Polish plant and, obviously, that number is expected to increase towards the end of the year and into the next year.

In terms of the development of service business, we launched the Kalmar Care service product in June this year and are getting good traction in many of the product areas here. Especially I wanted to highlight a new product area for us which is getting a strong demand and that is the refurbishment business and rebuilding of the existing crane business. This is a service business that I like. It has specific IPs and knowledge that is required and we have a strong demand on that business at the moment. One example of that one was recently announced, the APMT crane refurbishment project in Spain where we are refurbishing existing ZPMC cranes.

The ramp-up of our joint venture in China is proceeding well. We have now moved all our RTG production into the joint venture in China in RCI and overall the demand and the delivery volumes for the RTG have developed very favourably this year. We are very happy in terms of the quality and the cost of the delivery of the new joint venture manufacturing there.

In terms of improvements in design-to-cost and new product generation, we announced our new reachstacker in June, a project named Gloria, and the production of that one started during Q3.

In Hiab (slide 16), again similar improvement actions identified in connection with our July Q2 forecast. In terms of where we are with route-to-market immediate improvements, we have finalised the plan and the execution has started. We have, for example, implemented a centralised delay management system in there. You also saw today a restructuring announcement in Hiab. That is partly related to our improvements and structural changes in terms of our distribution and sales structure in Europe.

In terms of the footprint, the factory in Poland has also started manufacturing of cranes in September and production there is ramping up at the moment. The efficiency improvements that we have discussed, obviously today's restructuring announcement is addressing that one. I wanted to highlight the fact that the €20 million savings that we announced in connection with this restructuring is mainly included in the €40 million run rate improvement we have indicated earlier for 2014, as it don't then cause some confusion as well.

In terms of the improvements in design-to-cost and development of new products, a very important product launch for us took place in September when we announced four new loader crane models. This is a core product for us and obviously the product offers much better customer functionality, speed and handling capabilities and, more importantly for our case, also as a lower cost point than the existing product generation. So that model has been launched and expected to come to production towards the end of the year.

MacGregor situation – we have achieved a cost plan. This is slide 17. We announced earlier today we have appointed a new Head for the MacGregor business. Erik Nielsen started in August in his new position and is, of course, driving the organisational changes and efficiencies in there. We are very happy with our organic growth in offshore overall and I again wanted to highlight that I know that the Q3 order intake might feel disappointing if you compare that to Q2 but again I would like to emphasise what Eeva already said: we are up 25% year-on-year on that quarter but, more importantly, in the year-to-date in the MacGregor order situation we are 44% up in our orders compared to last year.

We also said that we are going to grow through the acquisitions and we have announced the Hatlapa, which is expected to close in the very near future and this is an excellent important first step for us in growing through inorganic ways in offshore and in our merchant marine business as well. We also announced that, due to the market conditions and the required integration of our inorganic growth, we will delay the listing of MacGregor further into the future.

With that, I think we are at the end of the presentation and open up for Q&A. Thank you.

Paula Liimatta

Okay, ladies and gentlemen, we are now ready for taking your questions. We don't have any questions from the live audience here in Helsinki so we can start with questions from the conference call participants, operator, please.

Questions and Answers

Juergen Siebrecht – HSBC

Good afternoon. A question on the marine order intake – the €150 million in Q3, can you split that up into merchant and offshore and can you then remind us of the merchant order intake in Q, so have we seen here an increase?

Then also with regard to Q4, you had a 40 million or 37 million booking here. Is it fair to assume that we come back to a level above 200 million for the order intake in marine?

Then, thirdly, I thought there would be a market update or market outlook for marine included in the presentation as you had in the past. Could you elaborate about that maybe?

Then, lastly, also on marine, do you have – I mean the order book is quite low. Order intake is improving. How would you see then sales and especially also the margin development for the next year? Thank you.

Mika Vehviläinen

Thank you for the questions. Why don't we do so that I will start by giving the overall market update and Eeva will address the specific questions you had? There were quite a few details in there but, if I start with the big picture and overall and I start with offshore, we still see a strong continuing demand in offshore technology. The market is expected to grow about 10% annually for that one. That is, of course, driven by the offshore exploration demand and also offshore moving into the deeper waters that requires further lifting capabilities and technology. That business remains healthy and we have enjoyed the order intake that was especially strong in Q2 and again we have just announced this week a very large new order in offshore as well.

In merchant marine I think it is important to take into account when we talk about market development the long term nature of the business. There is clearly an improved order uptake in the business at the moment. Now if I remember the numbers correctly, last year about 1,000 merchant marine ships were ordered. If my memory serves me right, about 1,600 ships have been ordered this year, so clearly more. Actually, if you look at the order uptake in terms of weight tonnages, the numbers or curves are now following roughly the year 2005/2006, which some people say were the last normal years in the marine before we had an overheating(?) market in '08 and then the collapse of the market in the following year. Now the long term nature comes from the fact that, even though we have seen I guess the market turn around in terms of the order intake, the deliveries overall are still declining. This is just through the nature of the long lead times on that one and that delivery recovery is likely to take some time before that starts to be reachable.

So yes, I think the market has bottomed out in terms of the order intake. It has not necessarily yet fully bottomed out in terms of the deliveries going into the next year as well. So that's the sort of dynamics in that market. Eeva, would you like to address the other questions?

Eeva Sipilä

Yes. You asked about the share of offshore in order intake in Q3. It was about one-fifth of the €157 million, so clearly obviously lower than in Q2, which you should have probably assumed already based on just the announcements made.

Then your question on does this week's €37 million order help improve the order intake going into Q4, yes, it certainly does. €37 million, with reference to €157 million, is a big number. I think the best way for you is really we will announce all big orders and you should be prepared for some lumpiness and we try to give you guidance on how we see the market and then obviously you have the facts of the quarterly order intake on top of that to

help you draw the right conclusions. I think the direction where we are going is pretty clear.

Okay and for the next year?

At this point I don't remember us guiding on the next year in conjunction with Q3, so we will not do it now but we will obviously come back to the issue. We have a good occasion in the Capital Markets Day, then we come out with the full year results.

But looking on your order backlog, which obviously will also be effective next year in the marine, is there anything changing in terms of mix, positive, negative? Obviously, there's downside risk to sales but how, for example, is mix doing based on the order backlog you have?

The order book being down is obviously linked to why we are sort of underlining the fact that the recovery in deliveries will take some time to come through. There is more offshore in that mix than you have seen in the past, well pretty much for a long time, and now obviously, if we are able to close Hatlapa in the very near future, that will also then have an impact on those numbers but at this point I would be a bit cautious on giving more exact guidance into 2014.

Mika Vehviläinen

I think we will discuss the market dynamics a bit more in detail, what it means, because there are from the ship orders into the actual equipment orders for MacGregor and the shipbuilding into the actual delivery of our equipment, there are certain lead times and dynamics that are related. Then we will also give you more light on that in connection with the Capital Market Day.

Thank you.

Elina Riutta – Evli Bank

Hello. Can you hear me?

Yes.

Okay, good. A question on listing of marine or the postponement of that – could you say how much listing-related costs there are now in 2013 and how much will be booked in Q4?

Eeva Sipilä

We now have roughly €3 million in the year-to-date numbers and, despite the decision, there are some actions we will complete. So you can expect a bit more costs coming in Q4 as well but €4 million is maybe a good number for the full year.

Okay, good, thank you. Then just a follow-up question still on the marine orders and maybe I remember this wrongly but was it so that in one of the previous quarters when there was big volatility in the marine order intake, you commented that a level of around

€180 million, that that was kind of something that maybe was underlying? Is that correct and is that something you still feel comfortable with, that level?

I am trying to remember. I think, yes, we were indicating I think 180 or was it a range of between €150-200 million a quarter would be a sort of run rate, assuming no huge orders or many big orders and I think this 157 is well in that range and is in that sense still relevant guidance. Hopefully, we can increase that range as the market continues to, hopefully, recover but for the time being I think that's not a bad range.

Mika Vehviläinen

I think overall it will be useful if you follow the new shipbuilding order uptake and there's a lead time from there in the then orders for equipment such as MacGregor and then obviously from there quite a bit of lead time in the deliveries. That gives you a good indication of the directionality of the market.

Okay, good, and then one more question just on Q4. You highlighted some of the tax-related issues in Q4. Is there anything out of the ordinary in Q4 that we should be prepared for?

Eeva Sipilä

Well, I think you should consider today's announcement that we do expect restructuring costs to continue in Q4 and, depending a bit on how negotiations go, I would estimate that the number is higher than it was in Q3. We also have some things still proceeding from the previous actions that will have an impact but, apart from that, I think the tax rate is an issue to note.

Okay, good, thank you.

Pekka Spolander – Pohjola Bank

Hi, this is Pekka Spolander from Pohjola Bank. First, a question about MacGregor still – you have commented that the delay is now continuing in the deliveries but do you feel that there is a risk that some of those projects will be cancelled in the coming quarters?

Mika Vehviläinen

No actually. I think I would be more worried about the old orders, some of them going back a while and we have been obviously looking and reviewing our order backlog as a result of that one. I think the orders that are coming in at the moment are a lot more concrete in the sense that we are seeing recovery of the market. These ships are clearly needed. They start to have clearly better homes... In offshore there is a real demand for the support vessels at the moment. So I am not worried about the current.

The delays are I would say coming from two factors. One is probably more linked to the customers' financial situation and the other ... explanation is, especially when it comes to the Chinese shipyards, the volumes have been somewhat low in there and there was a tendency there to start to try to employ as many people and keep them equipped. So some

of the deliveries are taking longer than they should take in order to keep the workload up in the shipyards and that is then hitting our delivery windows as well.

Okay, thank you. The next question I have is on networking capital. You are putting quite a lot of focus on networking capital to improve the cash flow. Do you have some special programmes going on and could you a little bit open what actions you are doing in that business?

We have tried to put quite a lot of management focus on this one and that has been each business area, following that one quite closely; somewhat different requirements within the business areas. In Hiab our sort of inventory levels in the frontline in terms of networking capital are at a too high level so we are looking into reducing those ones.

In Kalmar I think it is a lot to do with the receivables project deliveries, meeting the project milestones and collecting the payments from them. Some of the shipments we have, fairly large ones, are behind a letter of credit for some of the more exotic places, so we will want to ensure that those are opened and the deliveries will take time within this year.

MacGregor, it is partly tied into the incoming order flow and the adverse payments related to those ones as well but it is I would say more day-to-day management of the payments receivables and then on the networking capital inventories, especially in the frontline.

Okay, thank you. Finally, my third question is a bit more general about the European market outlook. I think that we are all, everybody, waiting for some positive signs in Europe and hope to see them in all reports. What's your view at the moment? Your general comment on Q3 activity was quite positive but what about Europe especially?

It's a very mixed bag. We see actually, if I look at the Kalmar, the activities in the ports are relatively encouraging from our point of view, especially in the smaller equipment. Potentially the big equipment, large crane, investments are not that much coming through but quite a bit of activity in the other areas in there as well.

Then when it comes to the Hiab side of the business, a mixed bag going from one market to another. I think some of the truck manufacturers have reported pre-buys in terms of the changing emission regulations. That's not coming through very clearly or very visibly for us as well. It could well be that this is more applicable for things like long haul trucks rather than the trucks that have cranes.

We have still good demand, as we have seen in the past, in Scandinavia, Eastern Europe, Germany and a very big demand situation in Southern Europe and also we have seen a weakening of France this year. So it's very difficult to talk about Europe in general as it is quite a mixed bag in terms of depending on country.

Okay, thank you.

Sebastian Ubert – UBS

Good afternoon ladies and gentlemen. A few questions from my side. To start with Kalmar, you have seen now another close to 10 million cost overruns in the big projects

after about €10 million in Q2 and about €4 million in Q1. Do you see further risk for another round of say high single digit cost overruns to hit the Q4 profitability? If so, by when do you expect this to end and could we add back those €23 million to the 2014 profits, assuming all else being equal? That would be my first question.

The second on Kalmar is with regards to the order intake which fell about 10%. () clients earlier this week have flagged that there was some uptake in the Americas market and also that port equipment was still at a good and healthy level. Do you see some changes in the equipment being ordered or do you lose some market share? That's to start with, thank you.

Mika Vehviläinen

If I start with the projects, yes it has been very disappointing in the sense that we had €6 million in H1 and now another €9 million, so that's €15 million altogether. Now if I look at the base where this is coming from, we have now roughly €20 million left in this problematic projects as an order backlog. By the end of this year, we expect that to have gone down to €70-80 million and, yes, the risks are retained still there. As I have said in the past, although our approach, working methods and visibility's improving, the major mistakes were done right at the outset and it is very difficult to recover some of these positions and, of course, we are also dealing with leading edge technology in terms of automation in many of these and they inherently have always risks.

Obviously, one needs to put this in context of the size of the order backlog and then, obviously, proportionally that should then decrease towards the end of the year and moving to the next year. We have very clearly sort of lined out the fact that we will not take further loss-incurring projects. I think the encouraging thing, of course, is that the projects are now actually performing quite well. We have satisfied customers. A very encouraging and important sign of that was the further orders from the TraPac project, which is the leading automation project in the Port of Los Angeles at the moment where we received orders for the next phases as well.

In terms of then the market activities, in Europe but also in North America the market activities in ports are clearly improved compared to last year and we see in terms of enquiries, requests for tenders, etcetera, positive signals on these markets. Did I miss anything?

I think that was my questions regarding the development in Kalmar. I have one follow-up please on MacGregor. You have seen today similar development in new orders, especially in the merchant segments falling about 50% sequentially... Do you see that customers' behaviour has changed in terms of ordering equipment or how do we have to calculate this? If say the number of vessels is increasing, as you have just said, from 1,000 to 1,600, it's a clear higher increase than you have seen in your orders, which were up 25%. Do you see that the average equipment per vessel is declining or how does it come that you will see a slower growth in your order intake?

I wouldn't be too concerned about the sequential(?). As Eeva already said, this is a lumpy business where the big orders have an impact how they land in terms of that one. I think the important number from our point of view is that year-to-date we are up 44% and that probably gives you a better idea of the directionality of the market than any single quarter.

Again, there are the same lead time issues there. So from the actual order uptake of the vessel, it will take further time for the actual equipment orders and this is a time lag as well that will be playing in there. So you will not see – when the trend starts to move up in the vessel ordering, this will take sometime to move more clearly into the equipment orders. The deck equipment and some of the things we do are fairly late in that cycle.

Thank you.

Juergen Siebrecht – HSBC

A follow-up coming back to this market outlook in terms of marine: the ship increase to 1,600 from 1,000, you said bottom out the market in terms of ship orders. That looks like a recovery. Could you specify on that? Then coming back to the crane orders, I thought the crane orders were quite close to the ship orders, at least in the past. Has this changed due to the market environment and how is now the concrete lead time between the ship order and then the crane order into your order intake? That would be one follow-up.

Then, secondly, also on the regional exposure, could you elaborate about your emerging market exposure and especially here BRIC ex-China? How big is that? Other companies have had here impacts from FX. Do you see that for your business? Are there risks?

Lastly, on the IPO, did you give a reason for the delay of the IPO and, if not, could you elaborate on that? Thank you.

Mika Vehviläinen

If I start with the merchant and the ship orders, it is perhaps better to look at this in terms of the DWTs (dead weight tonnages) order. That probably is a more relevant number than pure number of ships. If I look at the order intake for this year, we are actually in terms of DWTs up quite a bit from the very poor last year and the year before that. We are now roughly at the level that you saw ship orders going or progressing in 2005/2006, which many people regard as the last normal years in the marine industry for a while. Then obviously we had a very strong uptake moving into 2008 and 2009 and then a very strong collapse after that one.

That will ultimately come down into the equipment space where we operate as well and then to the deliveries but again it is a long term business. From the orders into the shipments is one to two years cycle, depending a little bit on the equipment. Most of the orders we are receiving at the moment are actually going to be in deliveries in 2015 now. The one that we announced recently, the €37 million offshore order, was actually a bit exceptional because that should be delivered already next year. Usually you don't see that fast order cycle.

Your question around the ship and crane is a good one – a few things in there. First of all, obviously the world's container traffic is driving the ship and sort of the port crane shipments and container ship orders. So effectively those volumes should go hand-in-hand. I think the expectation is that the container traffic will increase roughly 4% annually in the long term but there are a couple of things that then, of course, change the dynamics. Of course, there are a lot more other ships than container ships. If I look at it from MacGregor's merchant marine point of view, we do deliver container lashing

systems. The container ship is an important segment for us but proportionally more important for us are RoRo ships and bulk ships where our equipment is also playing an importance. They have slightly different dynamics and are not that directly related then to the crane orders.

In the crane side then, of course, these larger ships drive the crane investments and then you have this cascading effect where the large, the 18,000 TEU, ships come into the major routes. That means that the ships that are serving those main routes are now moving to the so-called secondary routes. That means that the cranes in those ports are then required to be large enough for the bigger ships coming in there but, obviously, in the crane side also we see customers either going down the route of ordering a new crane or increasingly also looking at the refurbishing and extending the existing cranes, which is an excellent service opportunity for us as well.

Eeva, would you like to comment further on this?

Eeva Sipilä

Yes. You had a few questions still as I catch them all. So on the regional exposure BRIC minus China, of those three countries, Brazil would be most important. There is a pretty active port – on the Kalmar side, port activity and then, obviously, the offshore market in Brazil is also very active.

FX – well, I think FX probably helped no one in this quarter. It had a negative 2.5% effect on our Q3 sales.

Then the final question I think was on the IPO delay. Yes, we do say in the interim specifically two reasons for the delay. One, as our CEO was already referring to, we want to focus on the integration of Hatlapa, which we hope to start in the very near future and then, obviously, also the market conditions as we have been discussing today.

Okay.

Mika Vehviläinen

Market exposure as well, obviously a very different situation in different business areas. Here very much the exposure, of course, in the US and the European markets. The proportion of the developing countries is much smaller in there. Kalmar, obviously, the port projects in developing countries are an important opportunity for us even though the majority of our revenues in Kalmar come from European port and terminal operations today.

MacGregor is a lot more complex because it is a sort of complicated value chain. So if you have an offshore drilling operation happening in Brazil, that might be served by a vessel that is owned by an American operator that orders that from a Korean ship that we then deliver. So from our point of view, the revenue is probably recognised as an A-Pac revenue. The actual owner and the one who takes it up is a US operator but it's actually operating in the Brazilian market. So not that easy to sort of follow that trail.

Okay. Just I didn't get the answer for I think the order of the cranes. When, after which time, if you order a ship, the crane is ordered or the crane order is placed with you? Is it immediately when the customer orders the ship or is there a delay? If there is a delay, how long is the delay? Maybe lastly on Brazil, I heard there's a lot of potential activity but I spoke to a colleague and he said that's already going on for many, many years and all the plans that they have, there's not so much execution on the port side. Thank you.

Eeva Sipilä

On the crane issue, if we are talking about MacGregor cranes, you need to differentiate between merchant ship and offshore. In merchant ship the delay has been since a very long time. Some 6-12 months after the ship is being ordered, that's only when the crane orders are placed. However, when we talk about offshore cranes, then actually the whole support vessel is pretty much built around the crane so then there is not a similar delay. The crane is an elementary part of that order so then it typically is in the very early stages.

Mika Vehviläinen

You could say that the customer is ordering a crane and he needs a ship around it.

Okay, good.

Sebastian Ubert – UBS

**Text here*... the quality in the order book you have now within MacGregor reflect that the shipping orders are now back to kind of more normalised levels seen in 2005/2006. Does that also imply that you will see margins say around 7-8% longer term in your business or do you see some scope to get back to a 10% plus level or even above that which was supported by the boom in 2007, etcetera? Thank you.*

Mika Vehviläinen

I don't think I want to speculate about upcoming years and the margins. Obviously, today's margin is very much dictated by the factor of the top-line reducing as it is even though we operate a very flexible business model. When the market is bottoming out, we have not been able to produce more than the numbers you have seen so far. Obviously, again when the market, hopefully, picks up the way the signs are, that should then also affect favourably our EBIT margin as well.

Okay, thank you.

Closing Comments

If there are no further questions, I thank you for your attention today. Have a good day. Thank you.