Cargotec's January–September 2012 interim report: Focus on improving profitability

July–September 2012 in brief

- Orders received decreased 11 percent and totalled EUR 719 (811) million.
- Order book amounted to EUR 2,312 (31 Dec 2011: 2,426) million at the end of the period.
- Sales grew 5 percent to EUR 794 (753) million.
- Operating profit was EUR 38.5 (54.4) million, representing 4.9 (7.2) percent of sales.
- Operating profit excluding restructuring costs was EUR 39.0 (54.4) million, representing 4.9 (7.2) percent of sales.
- Cash flow from operations before financial items and taxes totalled EUR 34.2 (6.4) million.
- Net income for the period amounted to EUR 24.9 (35.7) million.
- Earnings per share was EUR 0.41 (0.58).

January–September 2012 in brief

- Orders received totalled EUR 2,348 (2,391) million.
- Sales grew 5 percent to EUR 2,437 (2,310) million.
- Operating profit was EUR 117.3 (159.1) million, representing 4.8 (6.9) percent of sales.
- Operating profit excluding restructuring costs was EUR 117.7 (159.1) million, representing 4.8 (6.9) percent of sales.
- Cash flow from operations before financial items and taxes totalled EUR 6.4 (78.0) million.
- Net income for the period amounted to EUR 80.4 (114.5) million.
- Earnings per share was EUR 1.31 (1.86).

Outlook for 2012 (published 15 October 2012)

The operating profit margin for 2012 is expected to be approximately 5 percent excluding non-recurring costs. Sales are expected to grow from 2011.

Cargotec's key figures

MEUR	**Q3/12**	Q3/11	Change	**Q1-Q3/12**	Q1-Q3/11	Change	2011
Orders received	**719**	811	-11%	**2,348**	2,391	-2%	3,233
Order book, end of period	**2,312**	2,349	-2%	**2,312**	2,349	-2%	2,426
Sales	**794**	753	5%	**2,437**	2,310	5%	3,139
Operating profit	**38.5**	54.4	-29%	**117.3**	159.1	-26%	207.0
Operating profit, %	**4.9**	7.2		**4.8**	6.9		6.6
Operating profit*	**39.0**	54.4	-28%	**117.7**	159.1	-26%	207.0
Operating profit, %*	**4.9**	7.2		**4.8**	6.9		6.6
Income before taxes	**35.0**	51.3		**108.7**	148.3		191.9
Cash flow from operations	**34.2**	6.4		**6.4**	78.0		166.3
Net income for the period	**24.9**	35.7		**80.4**	114.5		149.3
Earnings per share, EUR	**0.41**	0.58		**1.31**	1.86		2.42
Net debt, end of period	**485**	362		**485**	362		299
Gearing, %	**38.8**	32.7		**38.8**	32.7		25.4
Personnel, end of period	**10,550**	10,970		**10,550**	10,970		10,928

* excluding restructuring costs

Cargotec's interim President and CEO Tapio Hakakari:
Major restructuring has been launched in Cargotec, in order to improve profitability. In the future, each business area Marine, Terminals and Load Handling will include services and operate more independently than before. This operating model will also support Marine's preparations for its listing in Asia. Business areas will be named after their industry leading brands MacGregor, Kalmar and Hiab. Through these changes, we are seeking to improve our efficiency and reduce fixed costs.

Press conference for analysts and media
A press conference for analysts and media, combined with a live international telephone conference, will be arranged on the publishing day at 3:00 pm EEST at Cargotec's head office, Sörnäisten rantatie 23, Helsinki. The event will be held in English. The interim report will be presented by Executive Vice President, CFO Eeva Sipilä. The presentation material will be available at www.cargotec.com by 3:00 pm EEST.

The telephone conference, during which questions may be presented, can be accessed using the following numbers ten minutes before the beginning of the event: US callers +1 334 323 6203, non-US callers +44 20 7162 0125, access code Cargotec/914117.

The event can also be viewed as a live webcast at www.cargotec.com. An on-demand version of the conference will be published at Cargotec's website later during the day.

A replay of the conference call will be available until midnight 27 October 2012 in the following numbers: US callers +1 954 334 0342, non-US callers +44 20 7031 4064, access code 914117.

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Cargotec improves the efficiency of cargo flows on land and at sea - wherever cargo is on the move. Cargotec's daughter brands, Hiab, Kalmar and MacGregor are recognised leaders in cargo and load handling solutions around the world. Cargotec's global network is positioned close to customers and offers extensive services that ensure the continuous, reliable and sustainable performance of equipment. Cargotec's sales totalled EUR 3.1 billion in 2011 and it employs approximately 10,500 people. Cargotec's class B shares are quoted on NASDAQ OMX Helsinki under symbol CGCBV. www.cargotec.com

Cargotec's January–September 2012 interim report

Operating environment

Ship orders were below levels seen in previous years, which was reflected in demand for marine cargo handling equipment. In addition to the situation in the shipping markets, limited availability of financing is hampering ship orders. Demand for marine cargo handling equipment for offshore support vessels remained healthy. Scrapping of old bulk vessels and small container ships has increased. Market expectations of demand for equipment delivered for offshore support vessels, RoRo vessels and bulk terminals remain healthy.

Demand for container handling equipment used in ports was healthy. Demand for large projects and automation solutions remained brisk. Structural changes in the sector and customers' need for greater operational efficiency are supporting demand. Due to the general economic uncertainty, demand for smaller container handling equipment slowed slightly in the third quarter.

While the load handling markets had a strong start for the year, during the third quarter demand in Europe weakened following the general economic uncertainty. Demand remained strong in the United States, where it was clearly healthier than in the preceding year.

Demand in the service markets reflects the capacity utilisation rates of customers, and the economic situation. Due to spare parts and installations, demand for load handling services has been good during the year, although it began to slow down during the third quarter. Demand remained healthy for offshore support vessel services. The markets for servicing port equipment and marine cargo handling equipment have been satisfactory, but caution among customers was evident in demand for services in the third quarter.

Orders received and order book

Orders received during the third quarter declined 11 percent from the comparison period and totalled EUR 719 (811) million. Orders received declined in Marine from the comparison period, and orders for Terminals were at comparison period's level. Orders for Load Handling grew from the comparison period. January–September orders received decreased two percent and totalled EUR 2,348 (2,391) million. In Marine, the fall in orders received is a consequence of low ship orders during previous quarters, which has clearly lowered demand for marine cargo handling equipment. 22 percent of the January–September orders were received by Marine, 51 percent by Terminals and 28 percent by Load Handling.

In geographical terms, 46 (42) percent of January–September orders was received in EMEA (Europe, Middle East, Africa). Asia-Pacific accounted for 30 (36) percent of all orders, while that of Americas was 24 (22) percent. Service orders accounted for 24 (23) percent of total orders.

The order book decreased five percent from the 2011 year-end level, and at the end of the third quarter it totalled EUR 2,312 (31 Dec 2011: 2,426) million. Marine's order book totalled EUR 1,058 million, representing 46 percent, Terminals' EUR 1,027 million, or 44 percent, and that of Load Handling EUR 229 million, or 10 percent of the consolidated order book.

Orders received by reporting segment

MEUR	**Q3/12**	Q3/11	Change	**Q1-Q3/12**	Q1-Q3/11	Change	2011
Marine	**143**	246	-42%	**507**	780	-35%	997
Terminals	**383**	389	-1%	**1,196**	1,039	15%	1,464
Load Handling	**192**	177	8%	**646**	574	13%	776
Internal orders	**0**	-1		**-1**	-2		-3
Total	**719**	811	-11%	**2,348**	2,391	-2%	3,233

Orders received by geographical area

MEUR	**Q3/12**	Q3/11	Change	**Q1-Q3/12**	Q1-Q3/11	Change	2011
EMEA	**266**	318	-16%	**1,075**	1,008	7%	1,456
Asia-Pacific	**279**	281	-1%	**710**	861	-18%	1,076
Americas	**174**	212	-18%	**562**	522	8%	701
Total	**719**	811	-11%	**2,348**	2,391	-2%	3,233

Sales

Third-quarter sales grew five percent from the comparison period, totalling EUR 794 (753) million. Sales in services grew three percent to EUR 188 (183) million, representing 24 (24) percent of consolidated sales. January–September sales grew five percent, totalling EUR 2,437 (2,310) million, of which services sales accounted for EUR 559 (538) million, representing 23 (23) percent of sales. Sales grew in the Terminals and Load Handling segments. In Marine, sales remained below those of the comparison period. Services saw growth in Americas and Asia-Pacific. EMEA (Europe, Middle East, Africa) represented 39 (41) percent of consolidated sales, Asia-Pacific 36 (40) percent and Americas 24 (20) percent.

Sales by reporting segment

MEUR	**Q3/12**	Q3/11	Change	**Q1-Q3/12**	Q1-Q3/11	Change	2011
Marine	**251**	297	-16%	**807**	930	-13%	1,213
Terminals	**352**	278	27%	**1,026**	822	25%	1,159
Load Handling	**191**	178	7%	**605**	560	8%	769
Internal sales	**0**	-1		**-1**	-2		-2
Total	**794**	753	5%	**2,437**	2,310	5%	3,139

Sales by geographical area

MEUR	**Q3/12**	Q3/11	Change	**Q1-Q3/12**	Q1-Q3/11	Change	2011
EMEA	**321**	283	14%	**959**	937	2%	1,264
Asia-Pacific	**282**	303	-7%	**885**	914	-3%	1,231
Americas	**190**	167	14%	**592**	459	29%	644
Total	**794**	753	5%	**2,437**	2,310	5%	3,139

Financial result

Operating profit for the third quarter was EUR 38.5 (54.4) million or 29 percent lower than in the comparison period. Operating profit includes EUR 0.5 million in restructuring costs in the Terminals and Load Handling segments. Operating profit for the third quarter, excluding restructuring costs, was EUR 39.0 (54.4) million, representing 4.9 (7.2) percent of sales.

Operating profit for January–September totalled EUR 117.3 (159.1) million. Operating profit for January–September, excluding restructuring costs, totalled EUR 117.7 (159.1) million i.e. 4.8 (6.9) percent of sales.

The operating profit margin for Terminals in January–September was weakened by cost overruns on large deliveries, and the service business' lower share of sales than in the comparison period. For volume products, profitability improved slightly over the low level early in the year. In addition, the significant investment in port automation technology was reflected in increased research and development costs. The competitive situation was challenging in both Terminals and Load Handling. The third-quarter operating profit margin for Load Handling rebounded from the lower level recorded for the second quarter. Marine's operating profit margin for January–September continued at the expected good level, despite a drop in volumes in the third quarter due to delivery postponements affecting profitability.

Net interest expenses for interest-bearing debt and assets for the third quarter totalled EUR -5.5 (-4.6) million. Net financing expenses increased slightly and totalled EUR -3.5 (-3.1) million. January–September net interest expenses for interest-bearing debt and assets totalled EUR -14.7 (-13.0) million and net financing expenses EUR -8.6 (-10.8) million. Despite the increase in net debt, net financing expenses were lower due to favourable interest differentials in the major currencies (EUR, SEK and USD) of Cargotec's business operations.

Net income for the third quarter totalled EUR 24.9 (35.7) million and earnings per share EUR 0.41 (0.58). Net income for January–September totalled EUR 80.4 (114.5) million and earnings per share EUR 1.31 (1.86).

Balance sheet, cash flow and financing

The consolidated balance sheet total was EUR 3,260 (31 Dec 2011: 3,120) million at the end of September. Equity attributable to equity holders was EUR 1,244 (1,173) million, representing EUR 20.28 (19.12) per share. Tangible assets on the balance sheet were EUR 296 (283) million and intangible assets EUR 1,033 (981) million. The total equity/total assets ratio declined to 42.8 (43.3) percent.

Return on equity (ROE) in January–September was 8.8 (14.0) percent and return on capital employed (ROCE) 9.6 (13.9) percent.

Cash flow in January–September from operating activities, before financial items and taxes, totalled EUR 6.4 (78.0) million. Net working capital increased from EUR 144 million at the end of 2011, to EUR 302 million during the period. Growth in Terminals and Load Handling tied up working capital, as shown in the level of inventories and accounts receivable. Cash flow was also weakened by the decreased amount of advances received, due to low orders in Marine.

Gearing rose from its year-end 25.4 percent level to 38.8 percent. The dividend payment of EUR 61.4 (37.4) million during the period increased gearing.

Cargotec's financing structure and liquidity are healthy. Interest-bearing net debt at the end of September was EUR 485 (31 Dec 2011: 299) million. Interest-bearing debt amounted to EUR 622 (512) million, of which EUR 180 (98) million was current and EUR 442 (414) million non-current debt. On 30 September 2012, the average interest rate on the loan portfolio was 3.1 (30 Sep 2011: 3.6) percent. Cash and cash equivalents, loans receivable and other interest-bearing assets totalled EUR 138 (31 Dec 2011: 213) million.

During the second quarter, Cargotec and the European Investment Bank (EIB) signed a ten-year EUR 55 million research and development loan agreement to finance research and development activities for the development of cargo handling solutions and related technologies. The loan was drawn at the end of May.

New products and product development

Research and product development expenditure for January–September totalled EUR 55.8 (42.5) million, representing 2.3 (1.8) percent of sales and 2.4 (1.9) percent of all operating expenses. Increase in research and product development expenditure is a result of focused investments in improvement of competitiveness.

During the third quarter, Cargotec introduced a new range of electrically-driven offshore anchor handling and towing winches. Electric drives are both economical and commercially competitive, and are easy to install, monitor and service. Cargotec's growing electric-drive portfolio includes MacGregor RoRo cargo access equipment such as quarter ramps, internal ramps, and car decks, MacRack side-rolling hatch cover systems, and MacGregor variable frequency drive cranes and winches.

During the second quarter, Cargotec's new automatic twistlock gained the approval of classification society Germanischer Lloyd. This fully-automatic twistlock offers significant safety advantages and saves time in ports.

During the first quarter, Cargotec's MacGregor chain wheel manipulator won the prestigious Offshore Support Journal's Innovation of the Year award. This award recognises a product, system or service considered to have made a significant impact on the design, build or operational aspects of offshore support vessels. The manipulator is a remote-controlled device that keeps crew members clear of potentially hazardous operations and enables cost effective ways of working. In this way, it improves a vessel's profitability.

Cargotec is participating in a joint project initiated by DNV (Det Norske Veritas), with the aim of updating the standards and regulations on the safe and efficient use of equipment intended for subsea cargo handling.

During the second quarter, Cargotec introduced new products and solutions for port and terminal automation. The design of the new automatic stacking crane (ASC+) takes into account energy efficiency, productivity and operating and maintenance costs throughout the product’s life-cycle.

Cargotec SmartPort is a solution for terminal automation. Cargotec SmartPort process automation is built on seamlessly integrated automation technology developed by Cargotec, Navis and strategic partners. It offers port and terminal customers a cost efficient solution for automation.

In March, Cargotec launched a new rubber-tyred gantry crane (RTG) on the markets. This crane minimises fuel consumption and offers an excellent balance between productivity and cost-efficiency. The new crane has a smart power management system and a markedly smaller diesel motor than conventional rubber-tyred gantry cranes.

In January–September, Cargotec introduced a new cabin with better operator visibility and the user-friendly TimberTronics control system, a new heavy-range loader crane, a new tail lift, a new hooklift and a new truck-mounted forklift. By lowering energy and fuel consumption, this new equipment improves customers’ productivity and minimises maintenance and running costs.

Capital expenditure

Capital expenditure for January–September, excluding acquisitions and customer financing, totalled EUR 55.2 (24.5) million. Investments in customer financing were EUR 23.5 (22.5) million. Depreciation, amortisation and impairment amounted to EUR 48.4 (47.5) million.

During the second quarter, Cargotec and Jiangsu Rainbow Heavy Industries Co., Ltd. established a joint venture called Rainbow-Cargotec Industries Co. Ltd (RCI). The companies celebrated the ground breaking for RCI's new factory in Taicang in Jiangsu province, China in June. Cargotec invested EUR 18 million in equity in RCI in the second quarter and EUR 12 million in the third quarter.

In June, Cargotec announced investment plans in its multi-assembly unit (MAU) in Stargard Szczecinski, Northern Poland. The value of the investment for a new painting and assembly area, expected to reach completion in 2014, will be close to EUR 20 million.

Cargotec is investing approximately EUR 35 million in building an innovative Technology and Competence Centre in Tampere, Finland. Some EUR 20 million was invested in January–September 2012. The centre, which forms part of Cargotec's global network of competence centres, will develop port terminal solutions for the benefit of customers. The site hosts Cargotec's most extensive test area. This new centre is due to become operational in December 2012.

During the first quarter, Cargotec expanded its portfolio with an automated lashing platform for fully automated quayside twistlock by entering into an exclusive global licensing agreement with KALP GmbH.

Acquisitions and divestments

In June, Cargotec acquired automation technology and competence from Asciano, Australia's largest national rail freight and ports operator. This transaction includes the acquisition of Asciano's automation technology assets and the transfer of 23 employees.

In November 2011, Cargotec and Komas signed a letter of intent, outlining the guidelines for deepening the companies' cooperation, as a long-term sourcing partnership. In accordance with the agreement, Komas acquired Cargotec's component manufacturing operations in Narva, Estonia. All approximately 370 employees were transferred to Komas. The deal was closed in February 2012.

Personnel

Cargotec employed 10,550 (31 Dec 2011: 10,928) people at the end of September. Marine employed 2,040 (2,129) people, Terminals 5,142 (5,146), Load Handling 3,121 (3,364) and corporate-level support functions 246 (289). The average number of employees in January–September was 10,572 (10,613).

At the end of September, 18 (17) percent of the employees were located in Sweden, 10 (10) percent in Finland and 28 (30) percent in the rest of Europe. Asia-Pacific personnel represented 28 (28) percent, North and South American 14 (13) percent, and the rest of the world 3 (2) percent of total employees.

Listing of Marine in Asia

In March, Cargotec announced the initiation of an evaluation of the listing of Cargotec Marine on the Singapore Exchange, in order to secure further growth. The Board of Directors is of view that listing Cargotec Marine as an independent company would strengthen its business presence in Asia and secure profitable growth. It would also enable an improved focus and provide new opportunities for Cargotec's Terminals and Load Handling segments, thereby increasing Cargotec's overall shareholder value.

In September, Cargotec's Board of Directors decided to proceed with preparations for a separate listing of Marine in Asia, by the second half of 2013 at the latest, subject to market conditions.

Development of Terminals and Load Handling segments

Terminals' strategic target is to be the leading provider of integrated solutions, including equipment, services and systems for port and terminal customers. Its short-term focus is on improving profitability. In order to enhance clarity and profit responsibility as well as improve transparency, the Terminals organisation was transformed into a line organisation. In the long-term, Terminals will continue focusing on the development of customer driven offerings and of solutions related to terminal automation.

In September, the decision was taken to transfer the Bulk Handling business from Marine business area to Terminals as of 1 January 2013. The business' sales in January–September 2012 totalled EUR 38 million and profitability 14 percent. Sales in 2011 amounted to EUR 34 million, with eight percent profitability.

Load Handling's strategic target is to be the leading on-road load handling company, with a focus on profitability and customer satisfaction.

In July, Cargotec announced plans to establish a joint venture with China National Heavy Duty Truck Group Co., Ltd (CNHTC), a leading Chinese manufacturer of heavy duty trucks and the parent company of Sinotruk. This will enable Cargotec to expand its presence in the Chinese load handling market. Cargotec would have 50 percent ownership of the joint venture. Over a planning horizon of several years, the total investment costs of the joint venture would be around EUR 100 million. Cargotec's estimated equity investment during the first year of operation is approximately EUR 10 million. The transaction is subject to the relevant regulatory approvals, which are expected in six to nine months, from July 2012 onwards.

Changes in governance model

In September, Cargotec announced that it would develop its governance model towards an organisation driven by three business areas: Marine, Terminals and Load Handling. The change in governance model will enable faster decision-making, improve efficiency and ensure a better focus on improving profitability within Terminals and Load Handling. As part of the change Cargotec plans to operationally integrate its Services business area and region EMEA (Europe, Middle East, Africa) into Marine, Terminals and Load Handling business areas. There are also plans to restructure Cargotec’s corporate functions in order to enable businesses that operate more independently.

Cargotec's external financial reporting remains unchanged, with the three business areas Marine, Terminals and Load Handling comprising the reporting segments.

Changes in Executive Board

In May, Cargotec announced changes in the roles of Executive Board members in order to accelerate the implementation of its strategy. Chief Operating Officer Pekka Vauramo was appointed Executive Vice President, Marine as of 1 August 2012. He continued as Deputy to CEO. President and CEO Mikael Mäkinen, acted as the head of Marine business area from 14 May until 1 August 2012. Olli Isotalo, previously Executive Vice President, Marine, was appointed Executive Vice President, Terminals as of 14 May 2012. Unto Ahtola, previously Executive Vice President, Terminals, transferred to a new role. However, he resigned from Cargotec on 24 August 2012. Harald de Graaf, Executive Vice President, leads the Terminals’ Cranes and Terminal projects division. In addition to his new role in the Terminals business area, he continued to manage the EMEA region. Pekka Vauramo, Olli Isotalo, Unto Ahtola and Harald de Graaf continued as members of the Executive Board.

In order to support growth and value creation in the Marine listing process, the Board of Directors appointed Cargotec's President and CEO Mikael Mäkinen as President, Marine business area, as of 8 October 2012, to drive the listing in Asia. The previous head of Marine business area, Executive Vice President Pekka Vauramo, was appointed Chief Operating Officer in Marine business area.

Tapio Hakakari, Vice Chairman of Cargotec's Board of Directors, took over as interim President and CEO on 8 October 2012. Cargotec's Board of Directors decided not to nominate a deputy to him. Cargotec's Board of Directors has begun the recruitment process for a new President and CEO.

As of 8 October 2012, Cargotec's Executive Board members are interim President and CEO Tapio Hakakari, CFO Eeva Sipilä, business area Presidents Mikael Mäkinen (Marine), Olli Isotalo (Terminals) and Axel Leijonhufvud (Load Handling).

Reporting segments

Marine

MEUR	**Q3/12**	Q3/11	Change	**Q1-Q3/12**	Q1-Q3/11	Change	2011
Orders received	**143**	246	-42%	**507**	780	-35%	997
Order book, end of period	**1,058**	1,407	-25%	**1,058**	1,407	-25%	1,375
Sales	**251**	297	-16%	**807**	930	-13%	1,213
Sales of services	**44**	43		**131**	127		175
% sales	**18**	15		**16**	14		14
Operating profit (EBIT)	**25.8**	44.0		**99.5**	133.2		176.2
% sales	**10.3**	14.8		**12.3**	14.3		14.5
Operating profit (EBIT)*	**25.8**	44.0		**99.5**	133.2		176.2
% sales*	**10.3**	14.8		**12.3**	14.3		14.5
Personnel, end of period	**2,040**	2,140		**2,040**	2,140		2,129

* excluding restructuring costs

Marine’s orders for the third quarter accounted for EUR 143 (246) million. Orders received fell 42 percent from the comparison period. January–September orders received accounted for EUR 507 (780) million. The fall in orders received is a consequence of low ship orders, which has clearly lowered demand for marine cargo handling equipment. The offshore cargo handling market is clearly healthier than the general shipping market. Offshore order volumes grew as expected, totalling 23 percent of orders received. Major orders included orders for anchor-handling, mooring and towing solutions for 15 offshore support vessels from China, an order for a total of six active heave-compensated offshore cranes from Norway and Malaysia and for two 10-point mooring systems for two offshore pipe-laying heavy-lift offshore construction vessels. In addition, Cargotec signed agreements for the delivery of electric cranes for ten bulk ships and hatch covers for six bulk ships, an agreement for 20 cargo cranes intended for ten general cargo ships, agreements to deliver lashing systems for 22 container ships, an agreement for RoRo equipment for two ferries, as well as agreements for a Siwertell unloader for Australia, Denmark, Indonesia and the Philippines.

Marine’s order book declined by 23 percent from the 2011 year-end, totalling EUR 1,058 (31 Dec 2011: 1,375) million at the end of September. Two thirds of the order book is bulk, general cargo and container ship-related. Offshore support vessels-related orders comprise approximately 15 percent of the order book.

Marine’s third quarter sales declined 16 percent from the comparison period, totalling EUR 251 (297) million. Share of services sales was 18 (15) percent or EUR 44 (43) million. January–September sales totalled EUR 807 (930) million, 13 percent lower than in the comparison period. Share of services in January–September was 16 (14) percent or EUR 131 (127) million. Services sales grew slightly despite customer caution affecting demand.

Marine's operating profit for the third quarter totalled EUR 25.8 (44.0) million, representing 10.3 (14.8) percent of sales. January–September operating profit was EUR 99.5 (133.2) million, representing 12.3 (14.3) percent of sales. Marine's operating profit margin for January–September continued at the expected healthy level, despite a drop in volumes in the third quarter due to delivery postponements affecting profitability. Despite the more challenging market situation, Marine's strong competencies in project and supply chain management support profitability.

Terminals

MEUR	**Q3/12**	Q3/11	Change	**Q1-Q3/12**	Q1-Q3/11	Change	2011
Orders received	**383**	389	-1%	**1,196**	1,039	15%	1,464
Order book, end of period	**1,027**	755	36%	**1,027**	755	36%	865
Sales	**352**	278	27%	**1,026**	822	25%	1,159
Sales of services	**89**	86		**259**	252		346
% sales	**25**	31		**25**	31		30
Operating profit (EBIT)	**12.7**	17.3		**30.4**	45.6		55.9
% sales	**3.6**	6.2		**3.0**	5.5		4.8
Operating profit (EBIT)*	**12.8**	17.3		**30.5**	45.6		55.9
% sales*	**3,6**	6.2		**3.0**	5.5		4.8
Personnel, end of period	**5,142**	5,099		**5,142**	5,099		5,146

* excluding restructuring costs

In the third quarter, orders received by Terminals were at the level of the comparison period, totalling EUR 383 (389) million. January–September orders grew 15 percent and totalled EUR 1,196 (1,039) million. In January–September, orders grew 15 percent for the comparison period in EMEA (Europe, Middle East, Africa) and 45 percent in Asia-Pacific. Increase in orders in Asia-Pacific is mainly a result of two major port equipment projects in Australia. The order book grew 19 percent from 2011 year-end and at the end of September it totalled EUR 1,027 (31 Dec 2011: 865) million.

During the third quarter, Cargotec received two major port equipment orders from Australia. A total of 44 automatic straddle carriers and related automation technology will be delivered to Port Botany in Sydney. In addition, 14 automatic stacking cranes and 14 one-over-one shuttle carriers will be delivered to DP World’s Port of Brisbane. The port will also use Navis terminal operating system (TOS) in its terminal expansion. Cargotec also received an order for 355 light capability rough terrain forklift (LCRTF) trucks from the U.S. Department of Defense. The total value of this order is over EUR 20 million and it forms part of the five-year frame agreement for the delivery of approximately 1,890 reachstackers signed in September 2011.

During the second quarter, Cargotec received one of its largest port equipment orders in recent years, when APM Terminals ordered eight super quay cranes and two barge cranes. These cranes will be delivered, as part of the Maasvlakte II expansion project, to Rotterdam in Holland. In addition, Cargotec will deliver 31 ship-to-shore spreaders for the same project. During the quarter, Cargotec also received an order for 766 light capability rough terrain forklift (LCRTF) trucks from the U.S. Department of Defense. The total value of this order is approximately EUR 50 million. In addition, Cargotec received a repeat order for four quay cranes to West Africa, and among other orders, orders for nine forklift trucks and eight reachstackers were received from Germany and an order for 13 forklift trucks arrived from Brazil.

During the first quarter, Cargotec received orders for six shuttle carriers for Brisbane Container Terminals PTY Limited and for eight shuttle carriers for Sydney International Container Terminal PTY Limited. In addition, an order for 22 straddle carriers was received from Australia. London Gateway Port Limited selected the Navis terminal operating system (TOS) for the UK's automated container port London Gateway. In addition, Terminals signed an agreement for the delivery of 13 reachstackers and four empty container handlers to Europe Container Terminals. This agreement includes a five-year maintenance contract.

Terminals' third quarter sales grew 27 percent from the comparison period, totalling EUR 352 (278) million. Sales for services amounted to EUR 89 (86) million, representing 25 (31) percent of sales. January–September sales totalled EUR 1,026 (822) million, 25 percent higher than in the comparison period. Sales for services totalled EUR 259 (252) million, representing 25 (31) percent of sales.

Terminals' third quarter operating profit totalled EUR 12.7 (17.3) million, representing 3.6 (6.2) percent of sales. The operating profit includes restructuring costs of EUR 0.1 million. January–September operating profit was EUR 30.4 (45.6) million, representing 3.0 (5.5) percent of sales. The operating profit margin was weakened by cost overruns on large deliveries and the service business' lower share of sales than in the comparison period. For volume products, profitability improved slightly over the low level early in the year. In addition, the significant investment in port automation technology was reflected in increased research and development costs. Furthermore, the competitive situation was challenging.

Load Handling

MEUR	**Q3/12**	Q3/11	Change	**Q1-Q3/12**	Q1-Q3/11	Change	2011
Orders received	**192**	177	8%	**646**	574	13%	776
Order book, end of period	**229**	189	21%	**229**	189	21%	189
Sales	**191**	178	7%	**605**	560	8%	769
Sales of services	**55**	53		**169**	159		218
% sales	**29**	30		**28**	28		28
Operating profit (EBIT)	**5.5**	3.3		**18.6**	15.4		20.6
% sales	**2.9**	1.9		**3.1**	2.7		2.7
Operating profit (EBIT)*	**5.8**	3.3		**18.9**	15.4		20.6
% sales*	**3.1**	1.9		**3.1**	2.7		2.7
Personnel, end of period	**3,121**	3,433		**3,121**	3,433		3,364

* excluding restructuring costs

Load Handling’s orders received for the third quarter grew eight percent from the comparison period and totalled EUR 192 (177) million. January–September orders grew 13 percent, totalling EUR 646 (574) million. While orders continued to grow strongly in the Americas, demand in Europe weakened due to uncertainty in the general economic situation. Orders for truck-mounted forklifts grew fastest within equipment, compared to the previous year. The growth in orders for services was boosted by spare parts and installations, even if demand began to slow during the third quarter. Load Handling secured a high number of individually small orders, which are typical of the business. Order book grew 21 percent from 2011 year-end, totalling EUR 229 (31 Dec 2011: 189) million at the end of the third quarter.

Load Handling’s third quarter sales grew seven percent from the comparison period and totalled EUR 191 (178) million. Sales for services amounted to EUR 55 (53) million, representing 29 (30) percent of sales. January–September sales were EUR 605 (560) million, which was eight percent more than in the comparison period. Sales of services totalled EUR 169 (159) million, representing 28 (28) percent of sales.

Operating profit for Load Handling in the third quarter grew compared to the comparison period, totalling EUR 5.5 (3.3) million, representing 2.9 (1.9) percent of sales. Operating profit includes restructuring costs of EUR 0.3 million. Without these restructuring costs, operating profit would have reached 3.1 percent of sales. These costs relate to restructuring of operations in Australia. January–September operating profit amounted to EUR 18.6 (15.4) million, representing 3.1 (2.7) percent of sales. The third-quarter operating profit margin rebounded from the lower level recorded for the second quarter. Despite a challenging competitive situation, action taken to improve the efficiency of the way of working and supply chain, together with increased delivery volumes, supported the improvement in profitability.

Decisions taken at Cargotec Corporation's Annual General Meeting
Cargotec Corporation's Annual General Meeting (AGM) on 19 March 2012 approved the 2011 financial statements and consolidated financial statements, discharging the President and CEO and members of the Board of Directors from liability for the accounting period 1 January–31 December 2011. The AGM approved the proposals by the Board to authorise the Board to decide on the repurchase of own shares and the issuance of treasury shares. The authorisation for the repurchase of own shares shall remain in effect for a period of 18 months, and the authorisation for the issuance of treasury shares for five years, from the AGM's resolution. More detailed information on the authorisations was published in a stock exchange release on the date of the AGM, 19 March 2012.

The AGM approved the payment of a dividend of EUR 0.99 per class A share and EUR 1.00 per class B share outstanding. The dividend was paid on 29 March 2012.

The number of members of the Board of Directors was confirmed at seven. Tapio Hakakari, Ilkka Herlin, Peter Immonen, Karri Kaitue, Antti Lagerroos, Teuvo Salminen and Anja Silvennoinen were re-elected to the Board of Directors. The meeting decided to keep their yearly remuneration unchanged: EUR 80,000 will be paid to the Chairman, EUR 55,000 to the Vice Chairman and EUR 40,000 to other Board members. In addition, it was decided that members should receive EUR 500 for attendance of Board and Committee meetings and that 30 percent of their yearly remuneration would be paid in Cargotec Corporation's class B shares, with the rest paid in cash.

Authorised public accountants Jouko Malinen and PricewaterhouseCoopers Ltd were elected as auditors. The decision was taken to pay the auditors' fees in accordance with the invoice.

Organisation of the Board of Directors
On 19 March 2012, the Board of Directors elected Ilkka Herlin to continue as Chairman of the Board and Tapio Hakakari as Vice Chairman. Outi Aaltonen, Senior Vice President, Cargotec's General Counsel, will continue as Secretary to the Board of Directors.

From among its members, the Board of Directors elected Ilkka Herlin, Karri Kaitue, Anja Silvennoinen and Teuvo Salminen (chairman) as members of the Audit and Risk Management Committee. Board members Tapio Hakakari, Ilkka Herlin (chairman), Peter Immonen and Antti Lagerroos were elected to the Nomination and Compensation Committee.

The Board decided to continue the practice by which members retain their ownership of any Cargotec shares they have obtained as remuneration, for at least two years from the day they obtained them. These shares will be purchased at the market price on a quarterly basis.

Shares and trading
Share capital and own shares
Cargotec Corporation's share capital totalled EUR 64,304,880 at the end of September 2012. The number of class B shares listed on NASDAQ OMX Helsinki Ltd. was 54,778,791 while that of unlisted class A shares totalled 9,526,089. The amount includes 2,959,487 own class B shares held by the company, accounting for 4.60 percent of the share capital. These shares were repurchased in 2005–2008. Excluding treasury shares held by the company, the number of issued class B shares totalled 51,819,304 at the end of September.

Option programme
In March 2010, the AGM confirmed that stock options will be issued to key personnel of Cargotec and its subsidiaries. On the annual basis, the Board decided on the target group, earnings criteria and option issuance for the spring of the years 2010 (2010A stock options), 2011 (2010B stock options) and 2012 (2010C stock options). The maximum total number of stock options issued will be 1,200,000. The share subscription period for stock options 2010A will be 1 April 2013–30 April 2015, 1 April 2014–30 April 2016 for stock options 2010B, and 1 April 2015–30 April 2017 for stock options 2010C.

In the spring of 2012, the Board issued stock options to nearly 80 persons, including the members of Cargotec's Executive Board. For the share subscription period for 2010C stock options to begin, the performance targets established by the Board must be attained. Stock options for which the targets are not attained will expire in the manner decided by the Board of Directors. The criteria for stock options 2010C is operating profit for 2012. The share subscription price for stock option 2010C is EUR 28.80/share. Any dividends will be deducted from the share subscription price each year.

Market capitalisation and trading
At the end of September 2012, the total market value of class B shares was EUR 951 (950) million, excluding treasury shares held by the company. The period-end market capitalisation, in which unlisted class A shares are valued at the average price of class B shares on the last trading day of the period, was EUR 1,128 (1,126) million, excluding treasury shares held by the company.

The class B share closed at EUR 18.35 (18.33) on the last trading day of September in NASDAQ OMX Helsinki Ltd. The volume weighted average share price for January–September was EUR 23.92 (28.91), the highest quotation being EUR 33.62 (39.60) and the lowest EUR 15.65 (16.35). During January–September, a total of 50 (39) million class B shares were traded on NASDAQ OMX Helsinki Ltd., corresponding to a turnover of EUR 1,204 (1,138) million. In addition to NASDAQ OMX Helsinki Ltd., a total of 31 (33) million class B shares were traded in several alternative market places, corresponding to a turnover of EUR 786 (913) million. Shares were mainly traded in BATS Chi-X CXE and Turquoise.

Events after the period
Tapio Hakakari, Vice Chairman of Cargotec's Board of Directors, took over as interim President and CEO on 8 October 2012, following the decision of Cargotec's Board of Directors to appoint Cargotec's previous President and CEO Mikael Mäkinen as President, Marine business area, to drive Marine's listing in Asia. Cargotec's Board of Directors has begun the recruitment process for a new President and CEO.

In order to adjust to the new operating model announced in September and to improve Cargotec's profitability, Cargotec began employee cooperation negotiations with its entire personnel in October, on possible reductions in the work force. According to Cargotec's initial estimate, the planned measures could result in a reduction of around 245 man-years globally, of which 130 in Finland, 35 in Sweden and 80 in other countries. In the other countries possibly affected, the plans will be communicated and negotiated locally. The planned measures could also result in changes to duties, as well as transfers to other duties, in all personnel groups.

In October, Cargotec announced plans to centralise its reachstacker and empty container handler production in Europe, in its multi-assembly unit Stargard Szczecinski, Poland. Reachstackers and empty container handlers are currently assembled at the Lidhult multi-assembly unit in Sweden, where the plans is to focus on forklift truck production in the future. Due to these plans, Cargotec began cooperation negotiations on possible personnel reductions in Lidhult in October. According to Cargotec's initial estimate, the planned measures could result in a reduction of around 130 employees.

In October, Cargotec reduced its full-year 2012 operating profit margin guidance given in July. Due to cost overruns, the profitability of large projects in the Terminals business area fell below expectations in the third quarter. Cargotec’s fourth quarter performance is therefore expected to remain below previous expectations. Cargotec's guidance is also affected by slippages of deliveries over the year-end into 2013 in the Marine business area.

Short-term risks and uncertainties

Developments in the global economy and cargo flows have a direct effect on Cargotec’s business environment and customers’ willingness to invest. Economic developments are characterised by uncertainty, especially in Europe. Risks stemming from the financing sector and from volatility on the currency markets could add to this uncertainty. Greater difficulty in obtaining financing would also weaken customers’ investments. Such uncertainty is impinging on Cargotec's ability to forecast and could quickly lead to weaker demand for its products and bleaker short-term prospects.

Possible softening of the markets becomes initially evident in demand for load handling equipment. Among Cargotec’s business areas, Europe accounts for the greatest share in Load Handling business area. This equipment has an order lead time of three to four months, whereas other Cargotec products have a clearly longer lead time. If demand weakens rapidly, Cargotec will not necessarily be able to react quickly enough, which could erode profitability.

Credit loss levels can rise alongside deterioration in the market situation. In addition, liquidity among customers could diminish as credit availability tightens. Cargotec is dependent on component suppliers. A deterioration in their economic situation could lead to delivery problems.

Cargotec is engaged in several major port automation projects. In order to manage the associated business risks, these require close management of both the project itself and, in particular, the supply chain. Projects include new automation solutions, whose development could involve challenges related to technical and scheduling issues. Such challenges could lead to cost and scheduling overruns, thereby weakening near-term earnings development in Terminals business area.

Cargotec has established Rainbow-Cargotec Industries Co Ltd (RCI), a joint venture with Jiangsu Rainbow Heavy Industries Co., Ltd., in China. The joint venture RCI will build a new facility in Taicang, China, thereby increasing Cargotec's delivery capacity. Major additional capacity is required for deliveries related to orders received by Terminals business area. The rapid and successful launch of production with the partner is meeting this need and assisting Terminals in improving its profitability.

In the Marine business area, risks associated with the cancellation and postponement of deliveries have begun to grow slightly, due to the uncertain situation in the shipbuilding markets. If this continues, it could affect the outlook in the business area.

Outlook for 2012 (published 15 October 2012)

The operating profit margin for 2012 is expected to be approximately 5 percent excluding non-recurring costs. Sales are expected to grow from 2011.

Financial calendar 2013

Financial statements review 2012, Tuesday, 12 February 2013
Annual General Meeting, Wednesday, 20 March 2013
January–March 2013 interim report, Friday, 26 April 2013
January–June 2013 interim report, Thursday, 18 July 2013
January–September 2013 interim report, Thursday, 24 October 2013

Tampere, 25 October 2012
Cargotec Corporation
Board of Directors

This interim report is unaudited.

Condensed consolidated statement of income

MEUR	7-9/2012	7-9/2011	1-9/2012	1-9/2011	1-12/2011
Sales	**793.6**	**752.6**	**2,437.0**	**2,310.3**	**3,138.7**
Cost of goods sold	-642.1	-587.9	-1,962.3	-1,828.3	-2,480.9
Gross profit	**151.5**	**164.7**	**474.7**	**482.0**	**657.8**
Gross profit, %	*19.1*	*21.9*	*19.5*	*20.9*	*21.0*
Costs and expenses	-112.8	-110.4	-357.6	-323.4	-451.3
Share of associated companies' and joint ventures' net income	-0.1	0.1	0.2	0.5	0.5
Operating profit	**38.5**	**54.4**	**117.3**	**159.1**	**207.0**
Operating profit, %	*4.9*	*7.2*	*4.8*	*6.9*	*6.6*
Financing income and expenses	-3.5	-3.1	-8.6	-10.8	-15.1
Income before taxes	**35.0**	**51.3**	**108.7**	**148.3**	**191.9**
Income before taxes, %	*4.4*	*6.8*	*4.5*	*6.4*	*6.1*
Income taxes	-10.1	-15.6	-28.3	-33.8	-42.7
Net income for the period	**24.9**	**35.7**	**80.4**	**114.5**	**149.3**
Net income for the period, %	*3.1*	*4.7*	*3.3*	*5.0*	*4.8*
Net income for the period attributable to:					
Equity holders of the company	24.9	35.5	80.1	114.0	148.6
Non-controlling interest	0.0	0.2	0.3	0.5	0.6
Total	**24.9**	**35.7**	**80.4**	**114.5**	**149.3**
Earnings per share for profit attributable to the equity holders of the company:					
Basic earnings per share, EUR	0.41	0.58	1.31	1.86	2.42
Diluted earnings per share, EUR	0.41	0.58	1.30	1.86	2.42

Consolidated statement of comprehensive income

MEUR	7-9/2012	7-9/2011	1-9/2012	1-9/2011	1-12/2011
Net income for the period	24.9	35.7	80.4	114.5	149.3
Gain/loss on cash flow hedges	41.2	-25.4	28.3	-6.7	-13.1
Gain/loss on cash flow hedges transferred to statement of income	-26.2	-6.4	-23.1	-21.9	-18.8
Translation differences	32.1	15.2	63.8	-28.5	20.4
Taxes relating to components of other comprehensive income	-15.3	10.2	-18.4	15.7	6.3
Comprehensive income for the period	**56.7**	**29.4**	**131.0**	**73.0**	**144.1**
Comprehensive income for the period attributable to:					
Equity holders of the company	56.7	29.3	130.5	72.7	143.7
Non-controlling interest	0.0	0.1	0.5	0.3	0.4
Total	**56.7**	**29.4**	**131.0**	**73.0**	**144.1**

The notes are an integral part of these interim consolidated financial statements.

Condensed consolidated statement of financial position

ASSETS, MEUR	30 Sep 2012	30 Sep 2011	31 Dec 2011
Non-current assets			
Intangible assets	1,033.4	946.9	981.0
Property, plant and equipment	296.4	284.8	283.4
Loans receivable and other interest-bearing assets	9.8	9.6	8.4
Investments in associated companies and joint ventures	43.0	10.9	10.6
Non-interest-bearing assets	150.9	134.0	164.5
Total non-current assets	**1,533.4**	**1,386.1**	**1,447.8**
Current assets			
Inventories	837.2	791.2	821.3
Loans receivable and other interest-bearing assets	1.7	6.1	1.1
Accounts receivable and other non-interest-bearing assets	748.7	641.3	632.5
Cash and cash equivalents	126.0	153.4	203.7
Total current assets	**1,713.6**	**1,592.1**	**1,658.7**
Assets held for sale	**13.4**	**-**	**13.4**
Total assets	**3,260.4**	**2,978.2**	**3,119.9**

EQUITY AND LIABILITIES, MEUR	30 Sep 2012	30 Sep 2011	31 Dec 2011
Equity			
Equity attributable to the equity holders of the company	1,243.8	1,101.6	1,173.2
Non-controlling interest	3.5	4.1	4.0
Total equity	**1,247.3**	**1,105.7**	**1,177.1**
Non-current liabilities			
Interest-bearing liabilities	448.4	409.7	420.5
Deferred tax liabilities	67.0	41.0	51.4
Provisions	32.4	28.9	33.4
Pension obligations and other non-interest-bearing liabilities	66.4	72.9	76.8
Total non-current liabilities	**614.2**	**552.6**	**582.1**
Current liabilities			
Interest-bearing liabilities	179.9	117.7	97.9
Provisions	74.8	54.5	69.4
Advances received	348.4	370.5	402.6
Accounts payable and other non-interest-bearing liabilities	795.7	777.2	790.6
Total current liabilities	**1,398.9**	**1,319.8**	**1,360.5**
Liabilities directly associated with assets held for sale	**-**	**-**	**0.2**
Total equity and liabilities	**3,260.4**	**2,978.2**	**3,119.9**

The notes are an integral part of these interim consolidated financial statements.

Consolidated statement of changes in equity

MEUR	Share capital	Share premium account	Translation differences	Fair value reserves	Retained earnings	Total	Non-controlling interest	Total equity
	Attributable to the equity holders of the company							
Equity on 1 Jan 2011	64.3	98.0	86.8	33.3	783.0	1,065.4	3.7	1,069.0
Net income for the period					114.0	114.0	0.5	114.5
Cash flow hedges				-21.8		-21.8		-21.8
Translation differences			-19.5			-19.5	-0.2	-19.7
Total other comprehensive income for the period*			**-19.5**	**-21.8**	**114.0**	**72.7**	**0.3**	**73.0**
Dividends paid					-37.3	-37.3	-0.1	-37.4
Share-based incentives, value of received services*					1.1	1.1		1.1
Other changes					-0.3	-0.3	0.3	0.0
Transactions with owners of the company					**-36.5**	**-36.5**	**0.2**	**-36.3**
Equity on 30 Sep 2011	**64.3**	**98.0**	**67.3**	**11.5**	**860.5**	**1,101.6**	**4.1**	**1,105.7**
Equity on 1 Jan 2012	64.3	98.0	105.6	9.6	895.7	1,173.2	4.0	1,177.1
Net income for the period					80.1	80.1	0.3	80.4
Cash flow hedges				3.4		3.4		3.4
Translation differences			47.1			47.1	0.2	47.2
Total other comprehensive income for the period*			**47.1**	**3.4**	**80.1**	**130.5**	**0.5**	**131.0**
Dividends paid					-61.3	-61.3	-0.1	-61.4
Share-based incentives, value of received services*					0.5	0.5		0.5
Transactions with owners of the company					**-60.7**	**-60.7**	**-0.1**	**-60.9**
Acquisition of non-controlling interest					0.8	0.8	-0.8	0.0
Changes in ownership interest in subsidiaries					**0.8**	**0.8**	**-0.8**	**0.0**
Equity on 30 Sep 2012	**64.3**	**98.0**	**152.6**	**12.9**	**916.0**	**1,243.8**	**3.5**	**1,247.3**

* Net of tax

The notes are an integral part of these interim consolidated financial statements.

Condensed consolidated statement of cash flows

MEUR	1-9/2012	1-9/2011	1-12/2011
Net income for the period	80.4	114.5	149.3
Depreciation and impairments	48.4	47.5	63.3
Other adjustments	36.7	42.5	53.8
Change in working capital	-159.1	-126.4	-100.1
Cash flow from operations	**6.4**	**78.0**	**166.3**
Cash flow from financial items and taxes*	-23.3	-57.8	-63.4
Cash flow from operating activities	**-16.9**	**20.2**	**102.9**
Acquisitions, net of cash acquired	-22.1	-131.1	-131.1
Divestments, net of cash sold	10.5	-	-
Investments to associated companies and joint ventures	-32.3	-	-
Cash flow from investing activities, other items	-67.9	-40.7	-54.2
Cash flow from investing activities	**-111.8**	**-171.8**	**-185.3**
Proceeds from share subscriptions	-	-	-
Acquisition of treasury shares	-	-	-
Proceeds from long term borrowings	55.1	50.0	120.2
Repayments of long term borrowings	-39.9	-21.2	-102.1
Proceeds from short term borrowings	92.9	6.7	5.7
Repayments of short term borrowings	-3.7	-7.8	-5.6
Dividends paid	-61.4	-37.4	-37.4
Cash flow from financing activities	**43.1**	**-9.7**	**-19.1**
Change in cash	**-85.7**	**-161.3**	**-101.5**
Cash, cash equivalents and bank overdrafts at the beginning of period	200.4	303.5	303.6
Effect of exchange rate changes	3.5	-2.4	-1.6
Cash, cash equivalents and bank overdrafts at the end of period	**118.2**	**139.9**	**200.4**
Bank overdrafts at the end of period	7.9	13.6	3.3
Cash and cash equivalents at the end of period	**126.0**	**153.4**	**203.7**

* Cash flow from financial items and taxes include 1-9/2012 EUR 0.6 (1-9/2011 - and 1-12/2011 0.4) million capitalised interests.

The notes are an integral part of these interim consolidated financial statements.

Key figures

		1-9/2012	1-9/2011	1-12/2011
Equity/share	EUR	20.28	17.96	19.12
Interest-bearing net debt	MEUR	484.5	361.9	298.9
Total equity/total assets	%	42.8	42.4	43.3
Gearing	%	38.8	32.7	25.4
Return on equity	%	8.8	14.0	13.3
Return on capital employed	%	9.6	13.9	13.3

Notes to the interim financial information

1. General information

Cargotec Corporation is a limited liability company domiciled in Helsinki, Finland. The registered address is Sörnäisten rantatie 23, 00500 Helsinki, Finland.

Cargotec Corporation and its subsidiaries form the Cargotec Group (later referred to as Cargotec or company). Cargotec Corporation class B shares are listed on the NASDAQ OMX Helsinki since 1 June 2005.

This interim report is unaudited.

2. Accounting principles and new accounting standards

The interim report has been prepared according to the International Accounting Standard 34: Interim Financial Reporting. The accounting policies adopted are consistent with those of the annual financial statements for 2011.
All figures presented have been rounded and consequently the sum of individual figures may deviate from the presented sum figure.

Adoption of the new and revised IFRS standards as of 1 January, 2012

Starting from 1 January, 2012 Cargotec has adopted the following amended standards published in 2010 by the IASB:
- IFRS 7 Financial instruments: Disclosures (amendment). Amendment enhances disclosures about transfers of financial assets. Aforementioned change has no material impact on the financial statements.

Restatement of reporting segments' comparable figures

As of January 1, 2012 Cargotec has three reporting segments, Marine, Terminals and Load Handling. At the same time the definition of Services business was clarified. Reporting segments' financial information for comparable periods has been restated accordingly.

3. Segment information

Sales, MEUR	**1-9/2012**		**1-9/2011**	**1-12/2011**
Marine	807		930	1,213
Terminals	1,026		822	1,159
Load Handling	605		560	769
Internal sales	-1		-2	-2
Total	**2,437**		**2,310**	**3,139**

Operating profit, MEUR	**1-9/2012**	*****	**1-9/2011**	**1-12/2011**
Marine	99.5		133.2	176.2
Terminals	30.4		45.6	55.9
Load Handling	18.6		15.4	20.6
Corporate administration and support functions	-31.1		-35.2	-45.7
Total	**117.3**		**159.1**	**207.0**

Operating profit, %	**1-9/2012**	*****	**1-9/2011**	**1-12/2011**
Marine	12.3		14.3	14.5
Terminals	3.0		5.5	4.8
Load Handling	3.1		2.7	2.7
Cargotec	4.8		6.9	6.6

* Including EUR 0.5 million restructuring costs, of which EUR 0.1 million in Terminals and EUR 0.3 million in Load Handling.

Sales by geographical area, MEUR	**1-9/2012**	**1-9/2011**	**1-12/2011**
EMEA	959	937	1,264
Asia-Pacific	885	914	1,231
Americas	592	459	644
Total	**2,437**	**2,310**	**3,139**

Sales by geographical area, %	**1-9/2012**	**1-9/2011**	**1-12/2011**
EMEA	39.4	40.6	40.3
Asia-Pacific	36.3	39.6	39.2
Americas	24.3	19.9	20.5
Total	**100.0**	**100.0**	**100.0**

Orders received, MEUR	1-9/2012	1-9/2011	1-12/2011
Marine	507	780	997
Terminals	1,196	1,039	1,464
Load Handling	646	574	776
Internal orders received	-1	-2	-3
Total	**2,348**	**2,391**	**3,233**

Order book, MEUR	30 Sep 2012	30 Sep 2011	31 Dec 2011
Marine	1,058	1,407	1,375
Terminals	1,027	755	865
Load Handling	229	189	189
Internal order book	-2	-1	-3
Total	**2,312**	**2,349**	**2,426**

Number of employees at the end of period	30 Sep 2012	30 Sep 2011	31 Dec 2011
Marine	2,040	2,140	2,129
Terminals	5,142	5,099	5,146
Load Handling	3,121	3,433	3,364
Corporate administration and support functions	246	298	289
Total	**10,550**	**10,970**	**10,928**

Average number of employees	1-9/2012	1-9/2011	1-12/2011
Marine	2,082	2,162	2,155
Terminals	5,088	4,733	4,830
Load Handling	3,144	3,441	3,427
Corporate administration and support functions	258	277	281
Total	**10,572**	**10,613**	**10,692**

4. Capital expenditure, depreciation and amortisation

Capital expenditure, MEUR	1-9/2012	1-9/2011	1-12/2011
Intangible assets	18.8	3.3	11.1
Property, plant and equipment	60.3	43.7	65.5
Total	**79.1**	**47.0**	**76.6**

Depreciation, amortisation and impairment, MEUR	1-9/2012	1-9/2011	1-12/2011
Intangible assets	13.5	12.0	16.2
Buildings	6.0	5.5	7.9
Machinery & equipment	28.9	29.9	39.2
Total	**48.4**	**47.5**	**63.3**

5. Taxes in statement of income

MEUR	1-9/2012	1-9/2011	1-12/2011
Current year tax expense	28.3	44.8	60.9
Deferred tax expense	-0.4	-11.4	-18.0
Tax expense for previous years	0.4	0.4	-0.2
Total	**28.3**	**33.8**	**42.7**

6. Interest-bearing net debt and liquidity

MEUR	30 Sep 2012	30 Sep 2011	31 Dec 2011
Interest-bearing liabilities*	622.0	531.0	512.2
Loans receivable and other interest-bearing assets	-11.5	-15.7	-9.5
Cash and cash equivalents	-126.0	-153.4	-203.7
Interest-bearing net debt	**484.5**	**361.9**	**298.9**
Equity	1,247.3	1,105.7	1,177.1
Gearing	**38.8%**	**32.7%**	**25.4%**

* Includes the hedging of cross-currency risk relating to the USD 300 million Private Placement bond, totalling on 30 September 2012, EUR -6.3 (30 Sep 2011: 3.6 and 31 Dec 2011: -6.1) million.

MEUR	30 Sep 2012	30 Sep 2011	31 Dec 2011
Cash and cash equivalents	126.0	153.4	203.7
Committed long-term undrawn revolving credit facilities	300.0	300.0	300.0
Repayments of interest-bearing liabilities in following 12 months	-172.0	-101.7	-94.7
Total liquidity	**254.0**	**351.7**	**409.0**

7. Derivatives

Fair values of derivative financial instruments

MEUR	Positive fair value 30 Sep 2012	Negative fair value 30 Sep 2012	Net fair value 30 Sep 2012	Net fair value 30 Sep 2011	Net fair value 31 Dec 2011
FX forward contracts	46.6	18.9	27.6	-16.2	-0.6
Cross-currency and interest rate swaps	16.9	-	16.9	13.8	22.5
Total	**63.5**	**18.9**	**44.6**	**-2.4**	**21.8**
Non-current portion:					
FX forward contracts	9.0	0.4	8.7	0.9	-0.2
Cross-currency and interest rate swaps	16.9	-	16.9	13.8	22.5
Non-current portion	**25.9**	**0.4**	**25.6**	**14.7**	**22.2**
Current portion	**37.5**	**18.5**	**19.0**	**-17.1**	**-0.4**

Cross currency and interest rate swaps hedge the US Private Placement corporate bond funded in February 2007.

Nominal values of derivative financial instruments

MEUR	30 Sep 2012	30 Sep 2011	31 Dec 2011
FX forward contracts	3,524.6	3,804.5	4,054.0
Cross-currency and interest rate swaps	232.0	225.7	231.9
Total	**3,756.6**	**4,030.2**	**4,285.9**

8. Commitments

MEUR	30 Sep 2012	30 Sep 2011	31 Dec 2011
Guarantees	1.0	0.0	-
End customer financing	7.7	10.4	10.0
Operating leases	64.6	68.2	74.9
Other contingent liabilities	3.1	3.3	3.2
Total	**76.4**	**81.9**	**88.1**

Cargotec Corporation has guaranteed obligations of Cargotec companies, arising from ordinary course of business, up to a maximum of EUR 446.6 (30 Sep 2011 454.0 and 31 Dec 2011: 470.3) million.

Cargotec leases property, plant and equipment under non-cancellable operating leases. The leases have varying terms and renewal rights. It is not anticipated that any material liabilities will arise from trade finance commitments.

The future minimum lease payments under non-cancellable operating leases

MEUR	30 Sep 2012	30 Sep 2011	31 Dec 2011
Less than 1 year	19.9	18.2	21.2
1-5 years	33.0	33.0	36.1
Over 5 years	15.3	17.0	17.5
Total	**68.2**	**68.2**	**74.9**

The aggregate operating lease expenses totalled EUR 23.5 (1-9/2011 17.9 and 1-12/2011: 24.5) million.

In 2011, Cargotec Finland Oy received an action brought against the co-operation procedure at the Salo factory in 2008. The case is still on progress. Cargotec finds the action unfounded and inappropriate, denies non-compliance and has made no provision in relation to it.

Some lawsuits, claims and disputes based on various grounds are pending against Cargotec around the world. Management believes that the outcome of these disputes will not have a material effect on Cargotec's financial position.

9. Acquisitions

In June, Cargotec acquired Asciano Corporate Services Pty Ltd from Asciano, Australia's largest national rail freight and ports operator. The transaction includes the acquisition of Asciano's automation technology assets and transfer of 23 employees. This acquisition supports Cargotec's strategy to strengthen the company's position as a provider of integrated solutions. The acquired business was consolidated in the Terminals segment as of the end of June.

Consolidation of the acquired business is provisional as of 30 September 2012. Fair value measurement of the acquired assets, liabilities and contingent consideration is preliminary and subject to adjustments until the valuation is finalized. In preliminary valuation technology, software, customer relationships and trademark have been identified as acquired intangible assets. According to preliminary valuation the acquisition will generate goodwill which will not be tax-deductible. Goodwill is primarily based on personnel and expected synergy benefits. Cargotec is now able to deliver turnkey solutions for horizontal transportation and yard stacking in automation projects globally.

MEUR	
Purchase price, settled in cash	20.7
Preliminary contingent consideration	1.8
Total consideration	**22.5**
Purchase price, settled in cash	20.7
Cash and cash equivalents acquired	0.0
Cash flow impact	**20.7**

Cargotec has agreed to pay contingent consideration, which is dependent on the license sales of the acquired business during the next seven years.

Transaction costs of EUR 0.2 million related to the acquisition are included in the operating profit of Terminals segment and in other operating expenses in the consolidated statement of income.

In June, Cargotec acquired an 11 percent non-controlling interest in a Mexican Hiab S.A de C.V. Subsequent to this transaction, Cargotec owns 75% of the shares in the company. Due to the acquisition the non-controlling interest decreased by EUR 0.8 million.

In addition, Cargotec acquired during the first quarter a small business in Poland with EUR 0.2 million. Business was acquired to Terminals segment. Acquisition had an immaterial effect to the interim financial statements and no goodwill was recognised.

10. Non-current assets held for sale and companies divested

Non-current assets held for sale include on 30 September 2012 land and real estate property held for sale. The assets are measured to book value of EUR 13.4 million according to IFRS 5, as book value is not expected to be below the fair value less costs to sell.

Assets of disposal group classified as held for sale

MEUR	30 Sep 2012	30 Sep 2011	31 Dec 2011
Goodwill	-	-	2.1
Property, plant and equipment	13.4	-	6.0
Inventory	-	-	5.3
Total	**13.4**	**-**	**13.4**

Liabilities of disposal group classified as held for sale

MEUR	30 Sep 2012	30 Sep 2011	31 Dec 2011
Other non-interest-bearing liabilities	-	-	0.2
Total	**-**	**-**	**0.2**

In November 2011, Cargotec and Komas signed a letter of intent to develop a long-term sourcing partnership and sell the component manufacturing operations in Narva, Estonia to Komas. Items related to the letter of intent were presented as held for sale in the balance sheet on 31 December 2011. The deal was finalised in February 2012.

Sold net assets, MEUR	
Intangible assets	2.1
Property, plant and equipment	6.0
Inventories	4.9
Accounts receivable and other non-interest-bearing assets	2.2
Cash and cash equivalents	0.7
Accounts payable and other non-interest-bearing liabilities	-2.6
Net assets	**13.2**
Total consideration	13.2
Gain on sale	**0.0**

Cash flow impact, MEUR	**1-9/2012**
Consideration received in cash	13.2
Cash and cash equivalents sold	-0.7
Consideration receivable	-2.1
Cash flow impact	**10.5**

11. Investments in joint ventures

During the second quarter, Cargotec and Jiangsu Rainbow Heavy Industries Co., Ltd. established a joint venture called Rainbow-Cargotec Industries Co. Ltd (RCI) in China. Cargotec's ownership in the joint venture is 49 percent and equity investment in the joint venture some EUR 32 million.

In July, Cargotec announced plans to establish a joint venture with China National Heavy Duty Truck Group Co., Ltd (CNHTC), a leading Chinese manufacturer of heavy duty trucks and the parent company of Sinotruk. This will enable Cargotec to expand its presence in the Chinese load handling market. Cargotec would have 50 percent ownership in the joint venture. Over a planning horizon of several years, the total investment costs of the joint venture would be around EUR 100 million. Cargotec's estimated equity investment during the first year of operation is approximately EUR 10 million. The transaction is subject to the relevant regulatory approvals, which are expected in six to nine months, from July 2012 onwards.

Key exchange rates for the Euro

Closing rate	Sep 30 2012	Sep 30 2011	Dec 31 2011
SEK	8.450	9.258	8.912
USD	1.293	1.350	1.294

Average rate	1-9/2012	1-9/2011	1-12/2011
SEK	8.727	8.998	9.004
USD	1.289	1.410	1.395

Calculation of key figures

Equity / share	=		Total equity attributable to the equity holders of the company ——— Share issue-adjusted number of shares at the end of period (excluding treasury shares)
Interest-bearing net debt	=		Interest-bearing debt* - interest-bearing assets
Total equity / total assets (%)	=	100 x	Total equity ——— Total assets - advances received
Gearing (%)	=	100 x	Interest-bearing debt* - interest-bearing assets ——— Total equity
Return on equity (%)	=	100 x	Net income for period ——— Total equity (average for period)
Return on capital employed (%)	=	100 x	Income before taxes + interest and other financing expenses ——— Total assets - non-interest-bearing debt (average for period)
Basic earnings / share	=		Net income for the period attributable to the equity holders of the company ——— Share issue-adjusted weighted average number of shares during the period (excluding treasury shares)

* Including cross currency hedging of the USD 300 million Private Placement corporate bonds.

Quarterly figures

Cargotec		Q3/2012		Q2/2012	Q1/2012	Q4/2011	Q3/2011
Orders received	MEUR	719		892	737	842	811
Order book	MEUR	2,312		2,413	2,342	2,426	2,349
Sales	MEUR	794		850	793	828	753
Operating profit*	MEUR	38.5	*	41.2	37.6	48.0	54.4
Operating profit*	%	4.9	*	4.8	4.7	5.8	7.2
Basic earnings/share	EUR	0.41		0.48	0.42	0.56	0.58

Marine		Q3/2012		Q2/2012	Q1/2012	Q4/2011	Q3/2011
Orders received	MEUR	143		185	178	216	246
Order book	MEUR	1,058		1,171	1,255	1,375	1,407
Sales	MEUR	251		275	281	284	297
Operating profit*	MEUR	25.8		35.8	37.9	42.9	44.0
Operating profit*	%	10.3		13.0	13.5	15.1	14.8

Terminals		Q3/2012		Q2/2012	Q1/2012	Q4/2011	Q3/2011
Orders received	MEUR	383		499	313	425	389
Order book	MEUR	1,027		1,013	860	865	755
Sales	MEUR	352		365	309	337	278
Operating profit*	MEUR	12.7	*	12.6	5.0	10.3	17.3
Operating profit*	%	3.6	*	3.5	1.6	3.1	6.2

Load Handling		Q3/2012		Q2/2012	Q1/2012	Q4/2011	Q3/2011
Orders received	MEUR	192		208	246	202	177
Order book	MEUR	229		230	229	189	189
Sales	MEUR	191		211	202	208	178
Operating profit*	MEUR	5.5	*	5.4	7.6	5.2	3.3
Operating profit*	%	2.9	*	2.6	3.8	2.5	1.9

* Including EUR 0.5 million restructuring costs, of which EUR 0.1 million in Terminals and EUR 0.3 million in Load Handling.