Cargotec's Interim Report

January–June 2008

Q2

Cargotec

Cargotec's Interim Report for January–June 2008

- Orders received during the first half of 2008 totalled EUR 2,168 (1,864) million. During the second quarter, orders received were EUR 1,013 (949) million.
- The order book continued to strengthen, reaching EUR 3,360 (December 31, 2007: 2,865) million.
- Sales for the first half grew by 13 percent, amounting to EUR 1,627 (1,437) million with services sales representing 25 (25) percent of total sales. Sales for the second quarter were EUR 901 (743) million.
- Operating profit for the first half rose to EUR 107.3 (104.3) million with EUR 63.1 (46.3) million attributable to the second quarter. Operating margin for January–June was 6.6 (7.3) percent and 7.0 (6.2) for the second quarter.
- Cash flow from operating activities before financial items and taxes totalled EUR 94.7 (83.4) million.
- Net income for the first half amounted to EUR 70.1 (74.9) million.
- Earnings per share for the first half were EUR 1.11 (1.17).
- The number of personnel totalled 12,097 (December 31, 2007: 11,187) at the end of June.
- Cargotec continues to expect full year sales growth in 2008 to be at the previous year's growth level as a result of the strong order intake and record-high order book. Kalmar and MacGREGOR profitability is estimated to develop positively in line with earlier expectations. However, the uncertainty on the European market outlook for Hiab has considerably increased. Cargotec's 2008 operating margin is still estimated to improve from previous year's 7.3 percent, but the uncertainty in Hiab's outlook and costs of the accelerated On the Move change programme are expected to result in the operating margin remaining below 8 percent.

Operating Environment

The markets for load handling equipment continued to be strong in Central and Northern Europe but slackened in other Western European countries. With respect to Southern Europe, demand was clearly below 2007 levels in Spain and Italy due to the decline in construction industry. The competitive environment in Europe tightened as a result of the mixed market environment. In Asia Pacific, growth remained healthy, with the exception of Japan. In the United States, demand for load handling equipment continued to be weak and there are still no signs of improvement.

The markets for container handling equipment were lively. In Europe and Asia, the market situation remained unchanged and demand was high. In the United States the activity level was healthy with, however, some signs of increased caution in investment decisions. The market for reach stackers and rubber-tyred gantry (RTG) cranes were especially active. Port operators' interest in automation is increasing as evidenced by more activity in tendering.

The markets for marine cargo flow systems and offshore solutions continued to be extremely lively. Demand for ship cranes, hatch covers and cargo securing systems continued to be high, reflecting strong demand for equipment to bulk carriers and general cargo vessels. Orders for marine cargo flow solutions reflect new ship orders with a lag. The gradual decrease in new ship orders is expected to reduce order intake for marine cargo flow systems during the second half of the year. Demand for offshore solutions continued lively, and ship owners were especially interested in investing in Active Heave Compensation (AHC) equipment.

Demand for services remained favourable. Demand for services for load handling equipment was strong in Europe due to higher levels of installed equipment and high usage rates whereas, in the United States, demand was weak due to the very low usage rate of such equipment. Demand for container handling equipment services remained strong both in Europe and Asia. Several new orders for marine cargo flow services were also secured. In particular, demand for conversion projects grew.

Orders Received

Orders received by Cargotec in the first half of the year totalled EUR 2,168 (1,864) million. The value of orders secured during the second quarter was EUR 1,013 (949) million.

Orders received, MEUR	1-6/2008	1-6/2007	1-12/2007
Hiab	467	508	985
Kalmar	853	760	1,429
MacGREGOR	854	597	1,696
Internal orders received	-5	-1	-4
Total	2,168	1,864	4,106

Hiab

Of total orders received in January–June 2008, Hiab accounted for EUR 467 (508) million while its share of orders received in April–June was EUR 238 (244) million. Orders received in the US during the second quarter were clearly lower compared to the previous year.

Hiab secured a large number of individual orders, which is typical of its operations. Strong demand for demountable systems continued, Hiab booking an order for 90 of such units to be delivered to the United Kingdom's Ministry of Defence. Furthermore, Hiab will deliver demountables and deep waste collection units to the Olympic Village in Beijing, China. Demand for forestry cranes also remained high.

Kalmar

Of total orders received in January–June, Kalmar accounted for EUR 853 (760) million while its share of orders received in April–June was EUR 363 (367) million. A major part of the big orders received will be delivered in 2009. Several orders include navigation, container position verification and remote monitoring systems developed by Kalmar.

In June, Kalmar received an order for 30 terminal tractors, seven E-One+ rubber-tyred gantry cranes (RTG) and five reachstackers from Sociedad Portuaria Regional de Cartagena (SPRC) of Colombia. The equipment will operate at SPRC's new Contecar terminal in Cartagena. The smaller equipment is scheduled to be on-site by November, and the RTGs will be operational by May of 2009.

In May, Kalmar received an order for 30 straddle carriers from Transnet Port Terminals (TPT) of South Africa. The machines will be delivered to TPT's container terminal in the Port of Durban starting in July 2008 with the final units arriving in January 2009.

In March, Kalmar received an order for 48 EDRIVE® straddle carriers for Eurogate's operations in Germany. 22 units have been ordered for Eurogate's CTB Bremerhaven container terminal, and 13 units will go to Eurogate's CTH Hamburg. Another 13 units will be deployed at the MSC Gate Bremerhaven terminal, a joint venture between Eurogate and Mediterranean Shipping Company. Equipment deliveries will start in autumn 2008 with the last units arriving at the beginning of 2009. In addition, Kalmar secured a contract with Steveco Oy for ten Kalmar EDRIVE® straddle carriers for the Mussalo container terminal in Kotka, Finland. Delivery will commence in the summer and end in October 2008.

During the first quarter, Kalmar received E-One+ RTG orders from, for example, Vietnam, Thailand, Brazil and Morocco. Kalmar will deliver 17 of these cranes to Vietnam International Container Terminals' Ho Chi Minh City facility between 2008 and 2010. LCMT Company Ltd. from Thailand ordered six RTGs for its terminal at the Port of Laem Chabang. The cranes are due to be delivered by March 2009. South America's largest container terminal operator, Santos Brasil S/A, ordered 12 RTGs that will be delivered by March 2009. Furthermore, Somaport operating in the port of Casablanca in Morocco ordered ten RTGs that will be delivered in early 2009.

In February, Kalmar received an order for 22 E-One+ rubber-tyred gantry cranes (RTGs) from South African Transnet Limited. The equipment will be delivered in 2008–2009 for the new Port of Ngqura. In February, Kalmar also secured an order from the Port of Tacoma on the US West Coast for the supply of seven straddle carriers. These will be used in container handling in on-dock rail facilities and will be equipped with Kalmar's monitoring system, speeding up their operation. Delivery of the machines is scheduled for October 2008.

MacGREGOR

Of total orders received during the reporting period, MacGREGOR accounted for EUR 854 (597) million while its share of orders received in April–June was EUR 415 (338) million.

During the second quarter, MacGREGOR obtained extensive hatch cover and RoRo equipment orders, mainly from Korea and Japan. The hatch cover orders are for a big number of container and bulk vessels to be delivered in 2009–2012. The RoRo equipment orders include the design and manufacture of RoRo equipment as well as liftable car decks for four deep-sea ConRos (vessels carrying both container and RoRo cargo). The equipment will be delivered in 2010–2011.

In June, MacGREGOR signed a contract to supply self-loading and unloading cement handling systems for three cement carriers. Deliveries of the systems will start during summer 2009.

In May, the Offshore division received a crane order from the US-based Edison Chouest Offshore, its third within 18 months. The cranes will be delivered by the first quarter of 2009. Furthermore, a large number of orders were received, in particular for davits, for delivery during 2008–2009. MacGREGOR Offshore is the world's leading supplier of sophisticated davit systems.

During the first quarter, MacGREGOR received a large number of ship crane and hatch cover orders, mainly from China and Korea. MacGREGOR will deliver a total of 276 bulk handling cranes for vessels that will be delivered to ship owners in Germany, Singapore, China and Korea. MacGREGOR also agreed to deliver hatch covers for 70 container vessels, 120 bulk vessels and 41 general cargo ships. The equipment will be delivered in 2009–2011.

In March, MacGREGOR received a major bulk handling equipment order from Taiwan Power Company for equipment to handle of coal. MacGREGOR's Siwertell bulk handling system features a totally closed conveying system that limits the amount of cargo dust released into the air.

In March, MacGREGOR also received an order for 30 shipsets of tanker cranes for a Chinese shipyard. Provision and hose handling cranes will be delivered in 2008–2010 for tankers ordered by Turkish, Norwegian, Russian and Cypriot ship owners.

In January, MacGREGOR received RoRo equipment orders for 12 pure car/truck carriers (PCTCs). The orders include liftable car decks for four vessels that will be built in the Korean Hyundai Heavy Industries shipyard and will be delivered during 2009–2010. Additionally, the orders include the design and delivery of key components for eight PCTCs under construction in China.

Cargotec Services

The services market continued to be active, which was reflected in the number of maintenance and modernisation contracts as well as spare part orders received.

In May, a five-year operation and maintenance contract for RTGs and reachstackers was signed with Arshiya International in Mumbai, India and a three-year leasing and full maintenance contract for reachstackers in the port of Gothenburg, Sweden.

Additional contracts include a five-year full service maintenance contract on four ship-to-shore cranes that will be operated in port of Vuosaari, Finland. Another contract in the same port covers maintenance on straddle carriers, terminal tractors and reachstackers.

In March, a five-year service contract was signed with the Norwegian company, Norsteve Oslo, covering the maintenance, spare parts and repairs of five straddle carriers at the Sjursøya container terminal in the Port of Oslo.

During the first half of 2008, several conversion projects were secured that will be carried out during 2008–2009. May contracts include one for the supply of electrically driven hoistable car decks for Finnlines' two RoRo vessels as well as a contract for conversion of control systems on a vessel. Demand for hatch covers in conversions is supported by legislation prohibiting the use of single hull tankers, which leads to many of them being converted into bulkers. During the period a major maintenance contract for ship unloaders was received from the Philippines.

Order Book

Cargotec's order book totalled EUR 3,360 (December 31, 2007: 2,865) million on June 30, 2008. Of the order book, Hiab accounted for EUR 238 (260) million, Kalmar EUR 790 (660) million, and MacGREGOR EUR 2,334 (1,946) million. An estimated 80 percent of MacGREGOR's order book will be delivered by the end of 2010.

Order book, MEUR	30.6.2008	30.6.2007	31.12.2007
Hiab	238	238	260
Kalmar	790	693	660
MacGREGOR	2,334	1,314	1,946
Internal order book	-2	0	-1
Total	3,360	2,244	2,865

Sales

Cargotec's sales grew by 13 percent in the first half of the year and totalled EUR 1,627 (1,437) million. Organic growth was 9 percent.

Sales for the second quarter were EUR 901 (743) million. Hiab's sales amounted to EUR 253 (245) million, Kalmar's sales were EUR 396 (330) million and MacGREGOR's sales EUR 254 (169) million.

Second quarter sales grew in all business areas from the first quarter level due to increased delivery volumes, which reflects the strong order book. There were slight delays in MacGREGOR's offshore deliveries during the first half of 2008 due to the large number of orders as well as the tight timetables of shipyards. However, offshore delivery volumes are expected to pick up in the second half of the year.

Sales, MEUR	1-6/2008	1-6/2007	1-12/2007
Hiab	483	485	931
Kalmar	717	653	1,343
MacGREGOR	431	300	748
Internal sales	-4	-1	-4
Total	1,627	1,437	3,018

Sales for services in January–June 2008 increased by 15 percent year-on-year and amounted to EUR 414 (359) million, representing 25 (25) percent of total sales. This growth was boosted by strong demand for spare parts and maintenance agreements. Services accounted for 22 (17) percent of sales at Hiab, 29 (30) percent at Kalmar, and 22 (28) percent at MacGREGOR.

Financial Result

Cargotec's operating profit for January–June 2008 totalled EUR 107.3 (104.3) million, representing 6.6 (7.3) percent of sales. The operating profit includes a EUR 3.1 (2.4) million cost impact from the purchase price allocation treatment of acquisitions and EUR 3 million costs from the On the Move change programme. Kalmar's first quarter result was weakened by a EUR 4 million project cost provision.

Operating profit for the second quarter was EUR 63.1 (46.3) million, equal to 7.0 (6.2) percent of sales. Hiab accounted for EUR 18.5 (16.6) million of second quarter operating profit, Kalmar for EUR 32.3 (24.1) million, and MacGREGOR for EUR 21.9 (11.3) million.

Both Kalmar and MacGREGOR second quarter profitability improved clearly from the first quarter level following increased delivery volumes and a more balanced product mix. Hiab's margin declined. Increases in raw material and component prices are more difficult to push through to end-product prices.

Net income for January–June was EUR 70.1 (74.9) million and earnings per share were EUR 1.11 (1.17).

Balance Sheet, Financing and Cash Flow

On June 30, 2008, Cargotec's net working capital amounted to EUR 298 (December 31, 2007: 253) million. The amount of capital employed in components and unfinished products increased due to increased stock levels aimed at ensuring availability. Tangible assets on the balance sheet were EUR 266 (254) million and intangible assets EUR 778 (751) million.

Cash flow from operating activities before financial items and taxes for January–June 2008 was EUR 94.7 (83.4) million. The dividend payment in January–June totalled EUR 65.7 (64.1) million and acquisitions amounted to EUR 34.2 (163.6) million. Net debt was EUR 370 (December 31, 2007: 304) million. The total equity/total assets ratio was 36.9 (38.3) percent while gearing increased to 41.0 (33.9) percent.

Cargotec's financing structure is healthy. Interest-bearing debt consists mainly of long-term corporate bonds maturing from the year 2011 onwards. On June 30, 2008, Cargotec had EUR 635 million of unused credit facilities.

Return on equity for January–June was EUR 15.6 (17.0) percent and return on capital employed was 15.7 (17.7) percent.

New Products and Product Development

In January–June 2008, Cargotec's research and product development expenditure was EUR 22.8 (23.1) million, representing 1.4 (1.6) percent of sales.

Cargotec opened in April an engineering centre in Pune, India to have engineering resources in emerging markets to support product development that better responds to local needs. The engineering centre has been established as a resource pool for Cargotec R&D centres around the world. It covers various engineering activities from drafting to structural analysis as well as software engineering. The size of the operation is planned to be over 50 persons by the end of the year.

Hiab introduced a new automatic load covering system to be used with demountable units when transporting waste and recycling materials.

During the first quarter, Hiab opened a state-of-the-art crane-testing centre at its loader crane production facility in Hudiksvall, Sweden. The centre offers Hiab and other business areas the opportunity to test more and longer cranes and components as well as ensuring testing is more precise than ever before.

In May, Kalmar launched the Pro Future™ concept encompassing all of its environmentally friendly equipment. The equipment will be rated against five ecological decision-making drivers: source of power, energy efficiency, emissions, noise pollution and recyclability.

During the second quarter, Kalmar introduced two Pro Future™ solutions: an AC electrical forklift truck for empty container handling and a hybrid straddle carrier. The hybrid straddle carrier is the market's first self-charging carrier which, thanks to its speed control, energy storage and recycling technology, enables fuel savings and carbon dioxide emission cuts of up to 25–30 percent compared to standard straddle carriers.

During the first quarter, Kalmar launched a new, fully-automated shuttle carrier that is able to pick, place and transport containers between ship-to-shore (STS) and yard stacking cranes without a driver. The new Kalmar Autoshuttle™ ensures the cost efficiency and productivity of port operations, particularly in the very big ports of the future.

MacGREGOR continued to develop electronically operated cargo handling solutions and a new ship crane control system. The Offshore division focused on the development of deck equipment enabling the use of cranes in difficult weather conditions and when operating in deep waters.

In February, MacGREGOR signed an agreement with the US Navy on the development of a ship-to-ship vehicle transfer system. With the help of this system, large vehicles can be transferred from a ship to another in motion. The prototype of the system will be delivered by the end of 2009.

Capital Expenditure

Cargotec's capital expenditure for January–June 2008, excluding acquisitions and customer financing, totalled EUR 29.1 (20.7) million. Customer financing investments were EUR 20.2 (15.4) million.

In April, Cargotec formed a subsidiary, Cargotec Port Security, to develop enhanced container security solutions. Cargotec has been exploring and investing in the area of radiation detection in container security for the past two years. It has entered into an exclusive global technical licensing agreement with US-based Innovative American Technology, and field testing of spreader-mounted radiation detection has started.

During the second quarter, Hiab initiated the extension of a tail lift production plant in Oborniki, Poland. The project will be completed during 2008. In Korea, Hiab is investing in a new painting line at the loader cranes production unit. Another project was finalised in Raisio, Finland, resulting in a major increase in the production capacity of a demountable systems plant due to the implementation of a more competitive production process.

During the second quarter, Kalmar started to expand its production facility for rough-terrain container handling equipment in Cibolo, Texas, USA as well as initiated an expansion of capacity in Ipoh, Malaysia for container spreaders. Investments in first quarter include expanding presence in the Americas by opening a new sales company in Mexico as well as a new service unit in Zeebrugge, Belgium.

In March, MacGREGOR opened a new offshore equipment production unit in Tianjin, China, approximately half of its production being delivered to various parts of China. The new unit also enables production optimisation and efficiency improvements in the Offshore production units of Norway and Singapore. Part of offshore cranes production has been moved from Norway to Singapore to give room for increased production of bigger size cranes in Norway. The additional capacity provided by the own investments as well as investments made by MacGREGOR's partners play an important role in the major increase in deliveries planned for this year.

On the Move change programme

In January, Cargotec announced the launch of an extensive On the Move change programme aiming at a profitability improvement of EUR 80–100 million. The change programme aims to form a basis for profitable growth through improved customer focus and efficiency. The projects in the first phase have focused on streamlining support functions and company structure as well as initiating IT projects that improve efficiency. The country structure streamlining started in Finland has been expanded to several countries during the spring. In Finland and Sweden all operations will be transferred to one company per country at the year-end. These projects are, due to an accelerated timetable, expected to incur costs of approximately EUR 10 million in 2008, which is clearly more than expected in the beginning of the year.

Going forward the focus will be on developing the global supply footprint closer to customers as well as towards lower cost environments.

The first joint supply chain projects proceeded during the spring in China and Estonia. The decision to double the production capacity in Shanghai, China was made. The expansion will include moving Hiab's assembly unit to the same site as the existing Kalmar facility. The capacity and productivity of the production unit in Narva, Estonia, acquired in 2007, are being upgraded in order to meet increased component needs. Investments initiated so far to expand Cargotec's global supply footprint are expected to amount to close to EUR 50 million for 2008.

Acquisitions

During the first half of 2008, Cargotec completed six acquisitions of which four were in Hiab's business area.

In order to strengthen its R&D capabilities, Cargotec acquired 60 percent of Idea Designing & Consulting S.r.l. in Massa, Italy. The company employs ten people for product design.

In June, Hiab concluded an agreement to acquire the business of a long-term distributor for tail lifts in New Zealand. In addition to tail lift sales, the business comprises installation, repairs, maintenance and spare parts sales.

At the end of March, Hiab concluded an agreement to acquire the operations of the South African company Bowman Cranes (Pty) Limited, Hiab's long-term agent in the region. This company supplies, installs and services truck-related load handling equipment. In 2007, its turnover was approximately EUR 18 million and it employs 70 people. The acquisition was finalised at the end of June.

In February, Hiab signed an agreement to acquire 70 percent of the operations of an Australian company, O'Leary's Material Handling Services Pty Ltd., the leading supplier of tail lifts in Western Australia. The company employs 24 people and had sales of approximately EUR 2.6 million in 2007.

In February, Hiab also agreed to acquire UK-based Del Equipment (UK) Limited and US-based Ultron Lift Corp. Both of these companies manufacture tail lifts. The aggregate sales of the companies in 2007 were approximately EUR 23 million and the companies employ 164 persons.

In April, MacGREGOR signed an agreement to acquire US-based Platform Crane Service, Inc (PCS). The sales of the company in 2007 were USD 16 million and the company employs 105 persons. The acquisition was closed in May.

Employees

On June 30, 2008, Cargotec employed 12,097 (June 30, 2007: 10,962) people, the year-on-year increase being attributable to the acquisitions concluded in second half of 2007 and 2008. Hiab employed 4,685 (4,483) people, Kalmar 4,737 (4,341), and MacGREGOR 2,527 (2,066). In anticipation of slackening demand, Hiab is preparing to implement production adjustment measures in its loader crane plants in Europe and truck-mounted forklift plant in the United States.

Of Cargotec's total employees, 14 (14) percent were located in Finland, 20 (22) percent in Sweden and 30 (30) percent in the rest of Europe. North and South American personnel represented 11 (12) percent, Asia Pacific 23 (21) percent and the rest of the world 2 (1) percent of total employees.

Shares, Share Capital and Stock Options

Cargotec's share capital on June 30, 2008 totalled EUR 64,269,120. The share capital increased by EUR 48,747 during the reporting period as a result of the subscription for class B shares under Cargotec option rights. On June 30, 2008, the number of listed class B shares totalled 54,743,031 while that of unlisted class A shares totalled 9,526,089. At the end of the first half of 2008, Cargotec held a total of 1,990,725 class B shares, which corresponds to 3 percent of the total number of shares. Trading in 2005A stock options ended in March. The remaining 2005B stock options may be used to subscribe for a further 139,890 class B shares, thereby increasing Cargotec's share capital by EUR 139,890.

Market Capitalisation and Trading

The closing price for Cargotec's class B shares on June 30, 2008 was EUR 22.11. The average share price for the first half-year was EUR 28.16, the highest quotation being EUR 36.49 and the lowest EUR 21.54. In January–June, approximately 45 million Cargotec class B shares were traded on the OMX Nordic Exchange in Helsinki, corresponding to a turnover of approximately EUR 1,266 million.

On June 30, 2008, the total market value of Cargotec class B shares was EUR 1,166 million, excluding treasury shares held by the Company. The period-end market capitalisation, in which the unlisted class A shares are valued at the average price of class B shares on the last trading day of the reporting period, was EUR 1,378 million, excluding treasury shares held by the Company.

Changes in Cargotec's Management

On February 1, 2008, Cargotec's Deputy CEO Kari Heinistö was appointed to lead the On the Move change programme. He continues as a member of the Executive Board and secretary to Cargotec's Board of Directors. Eeva Mäkelä was appointed as Cargotec's CFO as of February 1, 2008. She is responsible for accounting, finance, risk management, investor relations and communications, and will continue as a member of the Executive Board. Minna Karhu was appointed as Vice President, Corporate Communications of Cargotec as of February 1, 2008.

Decisions Taken at Cargotec Corporation's Annual General Meeting

Cargotec Corporation's Annual General Meeting (AGM) was held on February 29, 2008 in Helsinki. The meeting approved the financial statements and consolidated financial statements as well as granted discharge from liability to the President and CEO and the members of the Board of Directors for the accounting period January 1–December 31, 2007.

The AGM approved a dividend of EUR 1.04 for each of the 9,526,089 class A shares and EUR 1.05 for the 52,789,559 outstanding class B shares.

The number of members of the Board of Directors was confirmed at six according to the proposal of the Board's Nomination and Compensation Committee. Henrik Ehrnrooth, Tapio Hakakari, Ilkka Herlin, Peter Immonen, Karri Kaitue and Antti Lagerroos were elected as members of the Board of Directors.

Authorised public accountants Johan Kronberg and PricewaterhouseCoopers Oy were re-elected as auditors according to the proposal of Audit Committee of Cargotec's Board of Directors.

In addition, the AGM resolved to amend the Articles of Association mainly due to and to align with the new Finnish Companies Act effective as from 2006.

Authorisations Granted by the Annual General Meeting

The AGM authorised the Board of Directors of Cargotec to decide on acquisition of the Company's own shares with non-restricted equity. The shares may be acquired in order to develop the capital structure of the Company, finance or carry out possible acquisitions, implement share-based incentive plans, or to be transferred for other purposes or to be cancelled. The shares may be acquired through a directed acquisition as defined in Finnish Companies Act, Chapter 15 § 6.

Altogether no more than 6,400,000 own shares may be purchased, of which no more than 952,000 are class A shares and 5,448,000 are class B shares. The above-mentioned amounts include the 1,904,725 class B shares in the Company's possession on the AGM date, which were purchased during 2005–2007. The proposed amount corresponds to less than 10 percent of the share capital of the Company and the total voting rights. The acquisition of own shares will decrease the non-restricted equity. The authorisation is in effect for a period of 18 months from the date of decision of the AGM.

In addition, the AGM authorised the Board of Directors to decide on transfer of treasury shares. The Board of Directors was authorised to decide to whom and in which order the treasury shares will be transferred. The Board of Directors may decide on the transfer of treasury shares otherwise than in proportion to the existing pre-emptive right of shareholders to purchase the Company's own shares. The treasury shares may be used as compensation in acquisitions and in other arrangements as well as to implement the Company's share-based incentive plans in the manner and to the extent decided by the Board of Directors. The Board of Directors has also the right to decide on the transfer of the shares in public trading at the OMX Nordic Exchange, Helsinki to be used as compensation in possible acquisitions. This authorisation is in effect for a period of 18 months from the date of decision of the AGM.

Organisation of the Board of Directors

Cargotec's Board of Directors in its organising meeting elected Ilkka Herlin to continue as Chairman of the Board and Henrik Ehrnrooth to continue as Deputy Chairman. Cargotec's Deputy CEO Kari Heinistö continues to act as secretary to the Board of Directors. Cargotec's Board of Directors decided that the Audit Committee, Nomination and Compensation Committee as well as Working Committee continue to assist the Board in its work.

The Board of Directors elected among its members Ilkka Herlin, Karri Kaitue and Antti Lagerroos as members of the Audit Committee. Karri Kaitue was re-elected as Chairman of the Audit Committee. Board members Henrik Ehrnrooth, Tapio Hakakari, Ilkka Herlin and Peter Immonen were elected to the Nomination and Compensation Committee. Ilkka Herlin was re-elected as chairman of the Nomination and Compensation Committee. Board members Tapio Hakakari, Ilkka Herlin and Peter Immonen were elected to the Working Committee. Ilkka Herlin was re-elected as chairman of the Working Committee.

Share Repurchases

Cargotec's Board of Directors decided to exercise the authorisation of the AGM to acquire the Company's own shares.

In accordance with the authorisation the shares will be acquired in order to develop the capital structure of the

Company, finance or carry out possible acquisitions, implement share-based incentive plans, or to be transferred for other purposes or to be cancelled.

Class B shares will be purchased at public trading in the OMX Nordic Exchange Helsinki at the market price. Class A shares will be purchased outside the Stock Exchange at the price equivalent to the average price of class B shares paid in the OMX Nordic Exchange Helsinki on the purchase date.

A total of 86,000 own shares were repurchased following the AGM and until end of June 2008 at an average price of EUR 26.25. Cargotec held a total of 1,990,725 class B shares on June 30, 2008.

Short-term Risks and Uncertainties

The global economic development is affected by significant uncertainty, which increases short-term risks. Cargotec considers that its principal short-term risks and uncertainties are related to general economic development and the availability and price development of raw materials and components.

Accelerating inflation, high oil price and increasing financing costs in addition to the decline of the US economy may negatively affect the investment propensity of Cargotec's customers throughout the world. There is an increased risk of European economy and especially the construction sector slowing. So far, the weak US economy has been visible in low demand for Hiab products. There is, however, an increased risk for cautiousness spreading into general investment activity, which could affect demand for other Cargotec equipment.

Cargotec has outsourced a significant proportion of its component production and part of its assembly operations. Due to generally high demand for many of the components used by Cargotec, their availability remains restricted, thus making it more difficult to optimise assembly plant operations and causing a risk of extra costs and delivery delays. Furthermore, there have been significant increases in raw material and component prices during the first half of the year with a continued pressure for additional price increases.

Outlook

Cargotec continues to expect full year sales growth in 2008 to be at the previous year's growth level as a result of the strong order intake and record-high order book. Kalmar and MacGREGOR profitability is estimated to develop positively in line with earlier expectations. However, the uncertainty on the European market outlook for Hiab has considerably increased. Cargotec's 2008 operating margin is still estimated to improve from previous year's 7.3 percent, but the uncertainty in Hiab's outlook and costs of the accelerated On the Move change programme are expected to result in the operating margin remaining below 8 percent.

Financial calendar

- Interim Report for January–September 2008 on October 20, 2008
- Financial Statements Review January–December 2008 on February 2, 2009

Helsinki, July 17, 2008
Cargotec Corporation
Board of Directors

This interim report is unaudited.

Cargotec's Interim Report January-June 2008

Condensed Consolidated Income Statement

MEUR	4-6/2008	4-6/2007	1-6/2008	1-6/2007	1-12/2007
Sales	900.6	743.4	1,627.2	1,437.3	3,018.2
Cost of goods sold	-710.9	-587.5	-1,293.3	-1,125.6	-2,376.8
Non-recurring items *	-	-	-	-	-18.0
Gross profit	189.7	156.0	333.9	311.8	623.4
Gross profit, %	21.1 %	21.0 %	20.5 %	21.7 %	20.7 %
Costs and expenses	-111.3	-96.3	-198.9	-182.2	-360.8
Depreciation	-15.2	-13.4	-27.8	-25.4	-59.8
Share of associated companies' and joint ventures' income	0.0	0.1	0.0	0.2	0.3
Operating profit	63.1	46.3	107.3	104.3	203.1
Operating profit, %	7.0 %	6.2 %	6.6 %	7.3 %	6.7 %
Financing income and expenses	-6.5	-4.4	-11.2	-7.8	-18.7
Income before taxes	56.7	41.9	96.1	96.5	184.4
Income before taxes, %	6.3 %	5.6 %	5.9 %	6.7 %	6.1 %
Taxes	-18.0	-6.4	-26.0	-21.6	-46.0
Net income for the period	38.7	35.5	70.1	74.9	138.4
Net income for the period, %	4.3 %	4.8 %	4.3 %	5.2 %	4.6 %
Net income for the period attributable to:					
Equity holders of the Company	38.0	35.1	68.9	74.5	136.5
Minority interest	0.7	0.4	1.2	0.4	1.8
Total	38.7	35.5	70.1	74.9	138.4
Earnings per share for profit attributable to the equity holders of the Company:					
Basic earnings per share, EUR	0.61	0.55	1.11	1.17	2.17
Diluted earnings per share, EUR	0.61	0.55	1.10	1.17	2.16

* Kalmar business area related container spreader inspection and repair programme

Condensed Consolidated Balance Sheet

ASSETS

MEUR	30.6.2008	30.6.2007	31.12.2007
Non-current assets			
Intangible assets	778.0	747.2	751.2
Tangible assets	265.5	252.6	253.7
Loans receivable and other interest-bearing assets 1)	6.6	2.2	5.5
Investments	8.5	3.9	7.2
Non-interest-bearing assets	83.9	63.1	76.4
Total non-current assets	1,142.6	1,069.0	1,094.0
Current assets			
Inventories	820.3	647.3	657.4
Loans receivable and other interest-bearing assets 1)	0.3	0.3	0.4
Accounts receivable and other non-interest-bearing assets	753.4	582.1	651.9
Cash and cash equivalents 1)	95.6	115.2	179.0
Total current assets	1,669.7	1,344.9	1,488.7
Total assets	2,812.2	2,413.9	2,582.6

EQUITY AND LIABILITIES

MEUR	30.6.2008	30.6.2007	31.12.2007
Equity			
Shareholders' equity	895.8	876.6	890.6
Minority interest	7.3	5.1	6.1
Total equity	903.1	881.8	896.7
Non-current liabilities			
Loans 1)	419.7	417.8	433.3
Deferred tax liabilities	47.3	33.9	38.5
Provisions	37.9	28.8	38.4
Pension benefit and other non-interest-bearing liabilities	89.3	61.6	103.3
Total non-current liabilities	594.2	542.0	613.6
Current liabilities			
Loans 1)	53.1	44.1	55.1
Provisions	62.0	43.0	70.8
Accounts payable and other non-interest-bearing liabilities	1,200.0	903.1	946.5
Total current liabilities	1,315.0	990.1	1,072.4
Total equity and liabilities	2,812.2	2,413.9	2,582.6

1) Included in interest-bearing net debt

Consolidated Statement of Changes in Equity

MEUR	Share capital	Share premium account	Treasury shares	Translation differences	Fair value reserves	Retained earnings	Total	Minority interest	Total equity
	Attributable to the equity holders of the company								
Equity on 31.12.2006	64.0	96.0	-23.9	-12.0	10.5	734.2	868.8	8.0	876.8
Gain/loss on cash flow hedges booked to equity *					-4.0		-4.0	0.0	-4.0
Gain/loss on cash flow hedges transferred to IS					-1.1		-1.1	0.0	-1.1
Translation differences				0.2			0.2	-0.3	-0.2
Net income recognised directly in equity	-	-	-	0.2	-5.1	0.0	-4.9	-0.3	-5.3
Net income for the period						74.5	74.5	0.4	74.9
Total recognised income and expenses for the period	-	-	-	0.2	-5.1	74.5	69.5	0.0	69.6
Dividends paid						-63.2	-63.2	-0.4	-63.7
Shares subscribed with options	0.1	0.5					0.6		0.6
Share-based incentives, value of received services *						0.9	0.9		0.9
Other changes							-	-2.5	-2.5
Equity on 30.6.2007	64.1	96.6	-23.9	-11.9	5.4	746.3	876.6	5.1	881.8
Equity on 31.12.2007	64.2	97.4	-70.0	-29.6	19.9	808.7	890.6	6.1	896.7
Gain/loss on cash flow hedges booked to equity *					20.2		20.2	0.0	20.2
Gain/loss on cash flow hedges transferred to IS					-6.8		-6.8	0.0	-6.8
Translation differences				-10.6			-10.6	-0.1	-10.6
Total net income recognised directly in equity	-	-	-	-10.6	13.3	-	2.7	0.0	2.7
Net income for the period						68.9	68.9	1.2	70.1
Total recognised income and expenses for the period	-	-	-	-10.6	13.3	68.9	71.7	1.2	72.8
Dividends paid						-65.3	-65.3	-0.3	-65.6
Shares subscribed with options	0.0	0.4					0.4		0.4
Acquisition of treasury shares			-2.3				-2.3		-2.3
Share-based incentives, value of received services *						0.7	0.7		0.7
Other changes							-	0.3	0.3
Equity on 30.6.2008	64.3	97.7	-72.3	-40.2	33.3	812.9	895.8	7.3	903.1

* Net of tax

Condensed Consolidated Cash Flow Statement

MEUR	1-6/2008	1-6/2007	1-12/2007
Net income for the period	70.1	74.9	138.4
Depreciation	27.8	25.4	59.8
Other adjustments	37.2	29.3	64.4
Change in working capital	-40.3	-46.2	-27.4
Cash flow from operations	94.7	83.4	235.1
Cash flow from financial items and taxes	-22.2	-47.1	-62.5
Cash flow from operating activities	72.6	36.2	172.6
Acquisitions	-34.2	-163.6	-172.5
Cash flow from investing activities, other items	-51.7	-36.6	-91.8
Cash flow from investing activities	-85.9	-200.2	-264.3
Acquisition of treasury shares	-2.3	-	-46.1
Proceeds from share subscriptions	0.4	0.6	1.5
Dividends paid	-65.7	-64.1	-63.8
Proceeds from long-term borrowings	0.7	226.9	274.5
Repayments of long-term borrowings	-1.8	-8.8	-29.5
Proceeds from short-term borrowings	15.0	9.8	40.8
Repayments of short-term borrowings	-16.4	-12.1	-31.5
Cash flow from financing activities	-70.0	152.3	145.9
Change in cash	-83.4	-11.7	54.2
Cash, cash equivalents and bank overdrafts at the beginning of period	167.5	114.5	114.5
Effect of exchange rate changes	-0.1	-0.4	-1.1
Cash, cash equivalents and bank overdrafts at the end of period	84.1	102.4	167.5
Bank overdrafts at the end of period	11.6	12.8	11.4
Cash and cash equivalents at the end of period	95.6	115.2	179.0

Key Figures

		1-6/2008	1-6/2007	1-12/2007
Equity/share	EUR	14.38	13.82	14.29
Interest-bearing net debt	MEUR	370.1	344.3	303.6
Total equity/total assets	%	36.9	40.4	38.3
Gearing	%	41.0	39.0	33.9
Return on equity	%	15.6	17.0	15.6
Return on capital employed	%	15.7	17.7	16.8

Segment Reporting

Sales by geographical segment, MEUR	1-6/2008	1-6/2007	1-12/2007
EMEA	959	799	1,677
Americas	255	344	647
Asia Pacific	413	295	695
Total	1,627	1,437	3,018

Sales by geographical segment, %	1-6/2008	1-6/2007	1-12/2007
EMEA	58.9 %	55.6 %	55.6 %
Americas	15.7 %	23.9 %	21.4 %
Asia Pacific	25.4 %	20.5 %	23.0 %
Total	100.0 %	100.0 %	100.0 %

Sales, MEUR	1-6/2008	1-6/2007	1-12/2007
Hiab	483	485	931
Kalmar	717	653	1,343
MacGREGOR	431	300	748
Internal sales	-4	-1	-4
Total	1,627	1,437	3,018

Operating profit, MEUR	1-6/2008	1-6/2007	1-12/2007
Hiab	36.2	40.9	73.8
Kalmar	51.7	50.8	105.5 *
MacGREGOR	33.8	22.0	59.4
Corporate administration and other	-14.4	-9.5	-17.5
Operating profit from operations	107.3	104.3	221.1
None-recurring items	-	-	-18.0
Total	107.3	104.3	203.1

* Excluding the one-off cost of EUR 18.0 million related to a container spreader inspection and repair programme

Operating profit, %	1-6/2008	1-6/2007	1-12/2007
Hiab	7.5 %	8.5 %	7.9 %
Kalmar	7.2 %	7.8 %	7.9 % *
MacGREGOR	7.8 %	7.3 %	7.9 %
Cargotec, operating profit from operations	6.6 %	7.3 %	7.3 % *
Cargotec	6.6 %	7.3 %	6.7 %

* Excluding the one-off cost of EUR 18.0 million related to a container spreader inspection and repair programme

Orders received. MEUR	1-6/2008	1-6/2007	1-12/2007
Hiab	467	508	985
Kalmar	853	760	1,429
MacGREGOR	854	597	1,696
Internal orders received	-5	-1	-4
Total	2,168	1,864	4,106

Order book, MEUR	30.6.2008	30.6.2007	31.12.2007
Hiab	238	238	260
Kalmar	790	693	660
MacGREGOR	2,334	1,314	1,946
Internal order book	-2	0	-1
Total	3,360	2,244	2,865

Capital expenditure, MEUR	1-6/2008	1-6/2007	1-12/2007
In fixed assets (excluding acquisitions)	28.9	20.6	52.5
In leasing agreements	0.2	0.1	0.7
In customer financing	20.2	15.4	37.5
Total	49.4	36.2	90.7

Number of employees at the end of period	30.6.2008	30.6.2007	31.12.2007
Hiab	4,685	4,483	4,418
Kalmar	4,737	4,341	4,459
MacGREGOR	2,527	2,066	2,223
Corporate administration	148	72	87
Total	12,097	10,962	11,187

Average number of employees	1-6/2008	1-6/2007	1-12/2007
Hiab	4,523	3,765	4,091
Kalmar	4,588	4,030	4,233
MacGREGOR	2,347	1,590	1,880
Corporate administration	109	62	72
Total	11,567	9,447	10,276

Notes

Taxes in income statement

MEUR	1-6/2008	1-6/2007	1-12/2007
Current year tax expense	33.6	33.3	56.2
Deferred tax expense	-4.1	-3.5	-3.9
Tax expense for previous years	-3.6	-8.2	-6.3
Total	26.0	21.6	46.0

Commitments

MEUR	30.6.2008	30.6.2007	31.12.2007
Guarantees	0.7	1.0	2.2
Dealer financing	0.2	8.7	8.4
End customer financing	6.3	6.6	7.5
Operating leases	47.0	57.5	47.7
Off balance sheet investment commitments	-	-	1.2
Other contingent liabilities	3.6	6.5	3.7
Total	57.8	80.2	70.6

Fair values of derivative financial instruments

MEUR	Positive fair value 30.6.2008	Negative fair value 30.6.2008	Net fair value 30.6.2008	Net fair value 30.6.2007	Net fair value 31.12.2007
FX forward contracts, cash flow hedges	58.6	34.8	23.8	6.8	11.3
FX forward contracts, non-hedge accounted	3.3	2.5	0.8	8.7	20.7
Cross currency and interest rate swaps, cash flow hedges	-	14.6	-14.6	-0.7	-4.9
Total	61.9	51.9	10.0	14.7	27.1
Non-current portion:					
FX forward contracts, cash flow hedges	17.9	12.4	5.6	0.0	-1.1
Cross currency and interest rate swaps, cash flow hedges	-	14.6	-14.6	-0.7	-4.9
Non-current portion	17.9	27.0	-9.1	-0.7	-6.0
Current portion	43.9	24.9	19.1	15.4	33.2

Nominal values of derivative financial instruments

MEUR	30.6.2008	30.6.2007	31.12.2007
FX forward contracts	3,107.3	1,823.8	2,610.0
Cross currency and interest rate swaps	225.7	225.7	225.7
Total	3,333.1	2,049.5	2,835.7

Acquisitions 2008

During the first half of 2008 Cargotec made six acquisitions of which four in Hiab's business area.

In February, in order to strengthen its R&D capabilities, Cargotec acquired 60 percent of Idea Design & Consulting S.r.l., Italy. The accounting of this business combination also includes the minority share, which include a redemption obligation. The acquisition was finalised in February.

In February, Hiab made an agreement to acquire the UK-based Del Equipment (UK) Limited and the US-based Ultron Lift Corp. These companies manufacture tail lifts in the UK and the US. The acquisitions were finalised at the end of March.
In February, Hiab signed also an agreement to acquire 70 percent of the operations of an Australian company, O'Leary's Material Handling Services Pty Ltd., the leading supplier of tail lifts in Western Australia. The acquisition was closed in April.
At the end of March, Hiab concluded an agreement to acquire the majority of the operations of the South African company Bowman Cranes (Pty) Limited. This company supplies, installs and services truck-related load handling equipment. The acquisition was finalised in June.
In June, Hiab concluded an agreement to acquire the business of Zepro Tailgate Limited in New Zealand. In addition to tail lift sales, the business comprises installation, repairs, maintenance and spare parts sales.

In April, MacGREGOR signed an agreement to acquire US-based Platform Crane Service, Inc (PCS). The acquisition was closed in May.

Management estimates that the consolidated sales for January 1–June 30, 2008 would have been EUR 1,648 million, if the acquisitions had been completed on January 1, 2008.

The table below summarises the acquisitions completed in January–June 2008. The business combinations were accounted as preliminary as the determination of fair values to be assigned to the assets, liabilities and contingent liabilities were yet not finalised.

MEUR	Net fair values of identifiable assets and liabilities of the acquired businesses	Assets and liabilities immediately before the business combination
Other intangible assets	4.2	1.2
Property, plant and equipment	1.5	1.5
Inventories	10.8	10.7
Non-interest-bearing assets	11.2	11.2
Interest-bearing assets and Cash and cash equivalents	0.9	0.9
Interest-bearing liabilities	-5.0	-5.0
Other non-interest-bearing liabilities	-16.1	-15.0
Acquired net assets	7.5	5.6
Transaction price	35.2	
Costs related to acquisitions	1.9	
Goodwill	29.6	
Transaction price paid in cash	29.7	
Costs related to acquisitions	1.9	
Cash and cash equivalents in acquired businesses	-0.9	
Total cash outflow from acquisitions	30.8	

The business combinations of Hydramarine AS, Indital Construction Machinery Ltd, Bay Equipment Repairs Inc and Balti ES were accounted as preliminary at the end of 2007, as the determination of fair values was still unfinished. The accounting of these acquisitions has been finalised during the review period. It had no impact on the previous year's comparison figures.

Accounting Principles

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 of 2007. All figures presented have been rounded and consequently the sum of individual figures may deviate from the presented sum figure.

Adoption of new interpretation starting in January 1, 2008

Starting from January 1, 2008 Cargotec has adopted the following new interpretation by the IASB published in 2007:
- IFRIC 14, IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction.

The adoption of the interpretation does not have a material effect on the interim financial statements.

Calculation of Key Figures

$$\text{Equity / share} = \frac{\text{Total equity attributable to the shareholders of the parent company}}{\text{Share issue adjusted number of shares at the end of period (excluding treasury shares)}}$$

$$\text{Interest-bearing net debt} = \text{Interest-bearing debt – interest-bearing assets}$$

$$\text{Total equity / total assets (\%)} = 100 \times \frac{\text{Total equity}}{\text{Total assets – advances received}}$$

$$\text{Gearing (\%)} = 100 \times \frac{\text{Interest-bearing debt – interest-bearing assets}}{\text{Total equity}}$$

$$\text{Return on equity (\%)} = 100 \times \frac{\text{Net income for period}}{\text{Total equity (average for period)}}$$

$$\text{Return on capital employed (\%)} = 100 \times \frac{\text{Income before taxes + interest and other financing expenses}}{\text{Total assets – non-interest-bearing debt (average for period)}}$$

$$\text{Basic earnings / share} = \frac{\text{Net income for the period attributable to the shareholders of the parent company}}{\text{Share issue adjusted weighted average number of shares during period (excluding treasury shares)}}$$

Quarterly Figures

Cargotec		Q2/2008	Q1/2008	Q4/2007	Q3/2007	Q2/2007
Orders received	MEUR	1,013	1,155	1,214	1,028	949
Order book	MEUR	3,360	3,287	2,865	2,552	2,244
Sales	MEUR	901	727	868	713	743
Operating profit	MEUR	63.1	44.2	64.3*	52.5	46.3
Operating profit	%	7.0	6.1	7.4*	7.4	6.2
Basic earnings/share	EUR	0.61	0.50	0.45	0.55	0.55

Hiab		Q2/2008	Q1/2008	Q4/2007	Q3/2007	Q2/2007
Orders received	MEUR	238	228	254	223	244
Order book	MEUR	238	253	260	255	238
Sales	MEUR	253	230	244	202	245
Operating profit	MEUR	18.5	17.7	19.1	13.7	16.6
Operating profit	%	7.3	7.7	7.8	6.8	6.8

Kalmar		Q2/2008	Q1/2008	Q4/2007	Q3/2007	Q2/2007
Orders received	MEUR	363	490	346	324	367
Order book	MEUR	790	824	660	684	693
Sales	MEUR	396	322	364	326	330
Operating profit	MEUR	32.3	19.4	26.9*	27.8	24.1
Operating profit	%	8.2	6.0	7.4*	8.5	7.3

MacGREGOR		Q2/2008	Q1/2008	Q4/2007	Q3/2007	Q2/2007
Orders received	MEUR	415	439	616	483	338
Order book	MEUR	2,334	2,211	1,946	1,614	1,314
Sales	MEUR	254	177	261	187	169
Operating profit	MEUR	21.9	11.9	22.3	15.0	11.3
Operating profit	%	8.6	6.7	8.6	8.0	6.7

* Excluding the one-off cost of EUR 18.0 million in Kalmar business area related to a container spreader inspection and repair programme