Cargotec's January–March 2011 interim report: Order intake continued strong and sales grew 37 percent

First quarter in brief

- Orders received grew 37 percent and totalled EUR 819 (598) million.
- Order book amounted to EUR 2,373 (31 Dec 2010: 2,356) million at the end of the period.
- Sales grew 37 percent and totalled EUR 763 (555) million.
- Operating profit was EUR 50.6 (13.5) million, representing 6.6 (2.4) percent of sales.
- Cash flow from operating activities before financial items and taxes totalled EUR 36.2 (46.5) million.
- Net income for the period amounted to EUR 36.2 (9.8) million.
- Earnings per share was EUR 0.59 (0.13).

Outlook

Cargotec specifies its 2011 guidance:

Cargotec's 2011 sales are estimated to grow approximately 20 percent. Healthy first quarter order intake both in Industrial & Terminal and Marine segments together with the recovery in the market situation supports a more positive growth expectation. Sales growth and significant efficiency improvement measures executed during the past years, support profitability, but there is cost pressure on the markets. Cargotec's 2011 operating profit margin is estimated to be approximately 7 percent.

In February, Cargotec's 2011 sales were estimated to grow over 10 percent and 2011 operating margin was estimated to continue to improve.

Cargotec key figures

	Q1 11	Q1 10	Change	2010
Orders received, MEUR	**819**	598	37 %	2,729
Order book, MEUR	**2,373**	2,239	6 %	2,356
Sales, MEUR	**763**	555	37 %	2,575
Operating profit, MEUR	**50.6**	13.5	275 %	131.4
Operating profit, %	**6.6**	2.4		5.1
Income before taxes, MEUR	**46.4**	6.8		101.4
Cash flow from operating activities, MEUR	**36.2**	46.5		292.9
Net income for the period, MEUR	**36.2**	9.8		78.0
Earnings per share, EUR	**0.59**	0.13		1.21
Net debt, MEUR	**335**	336		171
Gearing, %	**31.5**	37.1		16.0
Personnel, end of period	**10,433**	9,509		9,954

Cargotec's President and CEO Mikael Mäkinen:
"Market activity for cargo handling solutions has despite the natural catastrophes afflicting the world, strengthened to the extent that we raise our estimated sales growth for 2011 to approximately 20 percent. Our strong order intake for the first quarter confirms our success in the markets. The profitability improvement in Industrial & Terminal compared to the previous quarter is important for us, even if sales were slightly lower. After the regulatory approvals of the Navis acquisition at the end of March, the development of our container terminal segment was started," states Mikael Mäkinen, President and CEO.

New disclosure procedure
Cargotec Corporation is now adopting the new disclosure procedure enabled by Standard 5.2b, published by the Finnish Financial Supervision Authority. This is a summary of Cargotec's January–March 2011 interim report. A complete report with tables is attached as a pdf-file to this release, and is also available on Cargotec's website www.cargotec.com/investors.

Press conference for analysts and media
A press conference for analysts and media will be combined with a live international telephone conference and arranged on the publishing day at 9:30 am EEST at Cargotec's head office, Sörnäisten rantatie 23, Helsinki. The event will be held in English. The interim report will be presented by President and CEO Mikael Mäkinen. The presentation material will be available at www.cargotec.com by 9:30 am 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 6201, non-US callers +44 20 7162 0025, access code Cargotec/891228.

The event can also be viewed as a live webcast at www.cargotec.com. 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 for two days until midnight on 30 April 2011, in the following numbers: US callers +1 954 334 0342, non-US callers +44 20 7031 4064, access code 891228.

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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 2.6 billion in 2010 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–March 2011 review

Operating environment

The load handling equipment market developed positively in early 2011. Truck sales grew in the main market areas, with brisk activity in many customer segments. Demand for particularly loader cranes, truck-mounted forklifts and tail lifts grew clearly. Geographically, Americas enjoyed the strongest recovery, although demand in the region continued at a low level in construction-related customer segments.

During the first quarter, the revival in demand in container handling equipment for ports began to show in the form of larger project orders. In continuance of last year's positive development, the number of containers handled in ports grew in early 2011. During the first quarter, demand for rubber-tyred gantry cranes in particular was strong on the back of improved project activity. In addition, there was positive development in demand for other equipment used in ports.

The marine cargo handling equipment markets remained healthy. While demand for equipment for bulk vessels is showing signs of gradual slowing, that for container ship equipment has picked up after a subdued couple of years. Although the offshore equipment markets are active, customers remain cautious about investment decisions.

In line with the rise in customers' capacity utilisation rates, the services markets continued to improve. In addition to growth in spare part sales, demand clearly picked up for various refurbishment and modernisation projects.

Orders received and order book

Orders received during the first quarter grew 37 percent and totalled EUR 819 (598) million. 65 percent of these orders were received by Industrial & Terminal and 35 percent by Marine. In geographical terms, most orders were received in EMEA (Europe, Middle East, Africa). EMEA accounted for 44 (40) percent of all orders, Asia-Pacific for 37 (32) percent, while that of Americas was 19 (28) percent. With a 23 (29) percent share of orders received, service business orders grew in all market areas.

At the end of March, the order book totalled EUR 2,373 (31 Dec 2010: 2,356) million, which was one percent higher than at the end of 2010. Industrial & Terminal's order book totalled EUR 778 million, representing 33 percent and that of Marine EUR 1,595 million, or 67 percent of the consolidated order book.

Orders received by reporting segment

MEUR	**Q1 11**	Q1 10	Change	2010
Industrial & Terminal	**535**	415	29 %	1,690
Marine	**286**	183	57 %	1,040
Internal orders	**-2**	0		-1
Total	**819**	598	37 %	2,729

Sales

First quarter sales grew 37 percent from the comparison period, totalling EUR 763 (555) million. Greater delivery volumes, due to improved demand in Industrial & Terminal and Marine segments, boosted growth in sales compared to last year. Navis will be consolidated for the first time in Cargotec's second-quarter figures, so first quarter sales do not include any impact from the Navis acquisition.

In terms of sales, EMEA (Europe, Middle East, Africa) and Asia-Pacific market areas were equal in size. EMEA's share of consolidated sales represented 41 (42) percent, Asia-Pacific's 41 (40) and that of Americas 18 (18) percent.

Services sales for January–March grew 13 percent and amounted to EUR 173 (153) million, representing 23 (28) percent of total sales. Due to improved capacity utilisation rates among customers, the service business saw growth in all market areas.

Sales by reporting segment

MEUR	**Q1 11**	Q1 10	Change	2010
Industrial & Terminal	**442**	314	41 %	1,526
Marine	**322**	241	34 %	1,050
Internal sales	**-2**	0		-1
Total	**763**	555	37 %	2,575

Sales by geographical area

MEUR	**Q1 11**	Q1 10	Change	2010
EMEA	**313**	234	34 %	1,087
Asia-Pacific	**314**	224	40 %	1,022
Americas	**136**	97	40 %	466
Total	**763**	555	37 %	2,575

Financial result

Operating profit for the first quarter increased clearly from the comparison period totalling EUR 50.6 (13.5) million. It should be noted that comparative figures for 2010 include EUR 2.3 million in restructuring costs. EUR 1.8 million in costs for the Navis acquisition are included in the first-quarter financial result. However, the result does not include Navis' operating result, which will be consolidated for the first time in Cargotec in the second quarter. The improved result is due to the revived market environment, the resulting positive turnaround in Industrial & Terminal's operating profit and savings measures implemented, which show in terms of improved operational efficiency.

Net financing expenses for January–March totalled EUR -4.2 (-6.7) million. Interest expenses amounted to EUR -5.0 (-5.5) million.

Net income for the first quarter totalled EUR 36.2 (9.8) million and earnings per share EUR 0.59 (0.13).

Balance sheet, cash flow and financing

The consolidated balance sheet total was EUR 2,851 (31 Dec 2010: 2,916) million at the end of March. Equity attributable to equity holders was EUR 1,056 (1,065) million, representing EUR 17.22 (17.37) per share. Tangible assets on the balance sheet were EUR 287 (292) million and intangible assets EUR 955 (839) million. The total equity/total assets ratio increased to 42.9 (42.7) percent. The rise in intangible assets is due to the Navis acquisition. The company's balance sheet was consolidated with Cargotec's figures on 31 March 2011.

Return on equity (ROE) for January–March was 13.6 (4.4) percent and return on capital employed (ROCE) 13.4 (3.8) percent.

Cash flow from operating activities, before financial items and taxes, remained strong in January–March, totalling EUR 36.2 (46.5) million. During the period, the dividend payment totalled EUR 37.3 (24.4) million. Net working capital increased from EUR 43 million at the end of 2010 to EUR 83 million due to increased volumes. Gearing rose from its year-end 16.0 percent level to 31.5 percent. Payment of Navis acquisition and dividend payment in March increased the gearing. The transaction value of Navis acquisition was about EUR 140 million.

Cargotec's financing structure and liquidity are healthy. In January, Cargotec signed a EUR 300 million five-year revolving credit facility. This replaced an undrawn EUR 300 million facility maturing in May 2012. Through refinancing and prolongation of the maturity, Cargotec strengthened its long-term liquidity and was able to take advantage of the prevailing market conditions.

Interest-bearing net debt at the end of March was EUR 335 (31 Dec 2010: 171) million. Interest-bearing debt amounted to EUR 477 (502) million, of which EUR 80 (97) million was current and EUR 397 (405) million non-current debt. On 31 March 2011, the average interest rate on the loan portfolio was 3.6 (3.4) percent. Cash and cash equivalents, loans receivable and other interest-bearing assets totalled EUR 143 (31.12.2010: 330) million. In addition, at the quarter-end, Cargotec had an undrawn credit facility of EUR 300 million signed in January 2011.

In February, Cargotec continued repurchases, started in September 2010, of its EUR 100 million domestic bond with a EUR 10 million buyback. After this repurchase, EUR 12.2 million of the bond remains on the market.

New products and product development

Research and product development expenditure for the first quarter totalled EUR 11.2 (9.5) million, representing 1.5 (1.7) percent of sales and 1.5 (1.7) percent of all operating expenses excluding restructuring costs.

Product development within Industrial & Terminal saw continued investment in the further development of energy efficient and environmentally friendly solutions. In addition, within automation there have been improvements in areas such as software architecture. This will enable faster, more flexible implementation of applications for customers.

Marine's product development focus lay in developing new product models, improving the performance of equipment already in the product range and lowering product costs. In addition, development work continued on electrical cranes and hatch covers.

Capital expenditure and disposals in property, plant and equipment
Capital expenditure in the first quarter, excluding acquisitions and customer financing, totalled EUR 5.8 (17.2) million. The investment in the Polish factory markedly raised the 2010 comparison figure. With the factory being completed in 2010, no corresponding investments of similar size are expected in 2011. Investments in customer financing were EUR 8.9 (2.4) million. Depreciation for January–March amounted to EUR 15.1 (12.8) million.

Acquisitions
At the end of January, Cargotec announced the acquisition of US-based terminal operating systems provider Navis. The transaction value was approximately USD 190 million (approximately EUR 140 million). The company has more than 300 employees, the majority of whom are located in the United States and India. The acquisition was completed in March after regulatory approvals were received. Cargotec will consolidate Navis' results for the first time in Industrial &Terminal reporting segment's second quarter figures as of 19 March 2011. When consolidating into Cargotec deferred revenue adjustment will decrease post-acquisition sales of Navis for slightly over one year. The amount of deferred revenue to be deducted from sales is estimated at approximately EUR 10 million.

In December 2010, Cargotec become a majority shareholder in Kalmar (Malaysia) Sdn. Bhd. by increasing its ownership in the company from 50.0 to 69.9 percent. The deal was closed in early January.

In November 2010, Cargotec acquired the assets of a Swedish installation and service company, Hallberg-Ivarsson Hydraulik & Påbyggnad AB, located in Gothenburg. The company specialises in installation and services for on-road load handling equipment and heavy vehicles. The deal was closed in early January.

Personnel
Cargotec employed 10,433 (31 Dec 2010: 9,954) people at the end of March. Industrial & Terminal employed 7,805 (7,310) people, Marine 2,175 (2,191) and corporate-level support functions 453 (453). Navis' personnel are included in Industrial & Terminal headcount. The average number of employees for January–March was 10,132 (9,447).

At the end of March, 19 (19) percent of the employees were located in Sweden, 10 (11) percent in Finland and 30 (31) percent in the rest of Europe. Asia-Pacific personnel represented 26 (26) percent, North and South American 13 (11) percent, and the rest of the world 2 (3) percent of total employees.

Strategic development

Cargotec's key strategic focus is on achieving stronger customer focus globally. In the future, operational development will be based on customer segmentation. Container terminals, merchant shipping and offshore have been selected as the first customer segments, in which to invest in forthcoming years.

Cargotec has specified its definition of services, as part of its reorganisation and internal unification of its services business. This slightly reduces the activities previously calculated under Marine segment, while correspondingly lowering the comparative share of Marine services business.

Greater internal clarity is another core strategic area. To this end, efforts focus on the development of common processes and ways of working. Specification work and project planning for the company-wide frontline sales and maintenance network ERP system progressed during the quarter.

Reporting segments

Industrial & Terminal

MEUR	**Q1 11**	Q1 10	Change	2010
Orders received	**535**	415	29 %	1,690
Order book	**778**	637	22 %	680
Sales	**442**	314	41 %	1,526
Sales of services	**133**	113		505
% of sales	**30**	36		33
Operating profit (EBIT)	**18.8**	-8.9		28.8
% of sales	**4.3**	-2.8		1.9
Personnel, end of period	**7,805**	6,960		7,310

Industrial & Terminal’s orders received for January–March totalled EUR 535 (415) million, 29 percent higher than in the comparison period. Orders received grew 16 percent quarter-on-quarter. Orders received increased in all geographic areas, and most in Asia-Pacific. Orders for services increased in all areas of the service business. Order book grew 14 percent from the year-end, totalling EUR 778 (31 Dec 2010: 680) million at the end of March.

During the period, Industrial & Terminal secured a high number of individual orders, which are typical of the Industrial business in particular. Orders received grew significantly compared to the comparison period, in almost all product groups. Growth in orders was strongest for rubber-tyred gantry cranes (RTG) and terminal tractors.

In March, Cargotec signed a long-term frame agreement with Siemens Wind Power A/S, for custom-made Hiab cranes. These cranes will be used for the service and maintenance of wind turbines. The agreement includes product development, manufacturing and application support. By the end of the period, Cargotec received orders for over 100 medium size units; the first cranes have been delivered to the customer. Volumes are expected to reach as many as thousand units per year.

Industrial & Terminal’s sales for the first quarter grew by 41 percent from the comparison period, totalling EUR 442 (314) million. This significant sales growth reflects the recovery in the market environment. The year began with clear growth, due to a markedly stronger order book than at the outset of 2010. Sales for services grew by 18 percent, totalling EUR 133 (113) million, representing 30 (36) percent of sales.

Industrial & Terminal’s operating profit clearly improved from the comparison period as a result of higher volumes and cost savings initiatives totalling EUR 18.8 (-8.9) million, representing 4.3 (-2.8) percent of its sales. Operating profit for the quarter includes EUR 1.8 million of costs due to the Navis acquisition. Operating profit for the comparison period was hampered by low volumes and costs related to challenges in ramping-up production. Additionally, the 2010 comparison figure includes EUR 1.6 million in restructuring costs.

Marine

MEUR	**Q1 11**	Q1 10	Change	2010
Orders received	**286**	183	57 %	1,040
Order book	**1,595**	1,602	0 %	1,675
Sales	**322**	241	34 %	1,050
Sales of services	**40**	39		173
% of sales	**12**	16		16
Operating profit (EBIT)	**43.3**	34.3		147.4
% of sales	**13.4**	14.2		14.0
Personnel, end of period	**2,175**	2,197		2,191

Marine's orders for January–March grew 57 percent from the comparison period, accounting for EUR 286 (183) million. Orders received grew 12 percent quarter-on-quarter. New orders were mainly received for equipment and services for bulk vessels, as well as for equipment for general cargo vessels and container ships. 70 percent of orders were received in Asia-Pacific, reflecting the concentration of shipbuilding mainly in China, South Korea and Japan. Marine's order book declined by 5 percent from the year-end, totalling EUR 1,595 (31 Dec 2010: 1,675) million at the end of March. More than 70 percent of the order book is bulk, general cargo and container ship-related. Offshore support vessels-related orders comprise around 10 percent of the order book.

Marine's sales for January–March grew 34 percent from the comparison period, totalling EUR 322 (241) million. A strong order book and successful project deliveries expedited growth in sales. Sales for services were at the level of comparison period, totalling EUR 40 (39) million, which represents 12 (16) percent of sales.

Marine's first quarter profitability was again very strong. Operating profit for the quarter totalled EUR 43.3 (34.3) million, representing 13.4 (14.2) percent of sales and reflecting successful deliveries based on a strong order book.

Decisions taken at Cargotec Corporation's Annual General Meeting
Cargotec Corporation's Annual General Meeting (AGM) on 8 March 2011 approved the 2010 financial statements and consolidated financial statements and discharged the President and CEO and members of the Board of Directors from liability for the accounting period 1 January–31 December 2010. The AGM approved the proposals by the Board to authorise the Board to decided on the repurchase of own shares and the issuance of treasury shares. The Board has also the right to decide on the transfer of the shares in public trading on NASDAQ OMX Helsinki Ltd. Both authorisations shall remain in effect for a period of 18 months from the AGM's resolution. More detailed information on the authorisations was published in a stock exchange release on the date of the AGM, 8 March 2011.

The AGM approved the payment of a dividend of EUR 0.60 per class A share and EUR 0.61 per class B share outstanding. The dividend was paid on 18 March 2011.

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 that a yearly remuneration of EUR 80,000 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 Johan Kronberg and PricewaterhouseCoopers Ltd were re-elected as auditors.

The AGM decided to amend Cargotec's Articles of Association so that the notice of a shareholders' meeting must be published on the company's website, no earlier than three months prior to the record date of the meeting and no later than three weeks prior to the meeting itself, provided that the date of publication is at least nine days prior to the meeting's record date.

Organisation of the Board of Directors
On 8 March 2011, 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, continues as Secretary to the Board of Directors.

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

Shares and trading
Share capital and own shares
Cargotec Corporation's share capital totalled EUR 64,304,880 at the end of March. 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. The shares were repurchased in 2005–2008. The number of issued class B shares, excluding treasury shares held by the company, totalled 51,819,304 at the end of March.

On 8 March 2011, the Board of Directors decided to exercise the authorisation conferred by the AGM to acquire own shares. However, no own shares were repurchased during the quarter.

Share-based incentive programme

In March 2010, the Board of Directors decided to establish a new share-based incentive programme. The programme aims to ensure alignment of the objectives of shareholders and executives in order to increase the value of Cargotec, while committing executives to the company and offering them a competitive incentive programme based on ownership in the company.

The programme includes three earnings periods, each lasting three calendar years, which will commence in 2010, 2011 and 2012. The Board of Directors will decide on the target group, earnings criteria and the targets to be established for them, as well as the maximum amount of reward payable for each earnings period. The earnings criteria for the earnings period 2010–2012 comprise Cargotec's operating profit margin and sales for the fiscal year 2012. For the second earnings period 2011–2013, the earnings criteria are the operating profit margin and sales for the fiscal year 2013. Two earnings periods cover the members of Cargotec's Executive Board.

The potential reward will partly be paid as Cargotec's class B shares and partly in cash in 2013, 2014 and 2015. The proportion to be paid in cash is intended to cover taxes and tax-related costs arising from the reward. Rewards to be paid on the basis of the earnings periods 2010–2012 and 2011–2013 will correspond to a maximum total of 200,000 Cargotec class B shares (including the proportion to be paid in cash).

In the spring of 2011, the Board of Directors decided to alter the terms of its share-based incentive programme in such a way that persons covered by the bonus system receive full rights to rewarded shares at the time of payment. The terms of the share-based incentive programme forbidding the transfer of shares for two years from each reward payment were removed. In this way, the programme's duration for each share lot was shortened from five to three years.

Option programme

In March 2010, the AGM confirmed that stock options will be issued to key personnel of Cargotec and its subsidiaries. The Board decides on the target group, earnings criteria and option issuance on an annual basis, in 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, for stock options 2010B, 1 April 2014–30 April 2016 and for stock options 2010C, 1 April 2015–30 April 2017.

The share subscription price for stock option 2010B is EUR 31.23/share (the trade volume weighted average quotation of the class B share on NASDAQ OMX Helsinki Ltd. during 14 March–25 March 2011). The dividends will be deducted from the share subscription price each year.

In the spring of 2011, the Board issued stock options to nearly 80 persons, including the members of Cargotec's Executive Board. For the share subscription period for 2010B 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. The criteria for stock options 2010B is operating profit for 2011.

Market capitalisation and trading

At the end of March, the total market value of class B shares was EUR 1,783 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 reporting period, was EUR 2,128 million, excluding treasury shares held by the company.

The class B share closed at EUR 34.40 on 31 March 2011 in NASDAQ OMX Helsinki Ltd. The volume weighted average share price in the first quarter was EUR 33.60, the highest quotation being EUR 39.60 and the lowest EUR 28.50. In January–March, a total of 12 (14) million class B shares were traded on NASDAQ OMX Helsinki Ltd., corresponding to a turnover of EUR 405 (297) million. In addition to NASDAQ OMX Helsinki Ltd., a total of 11 (11) million class B shares were traded on several alternative market places, corresponding to a turnover of EUR 356 (241) million. Shares were mainly traded in Chi-X and BATS Europe.

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. Despite mainly positive economic development during the early part of the year, a series of natural catastrophes and political uncertainty have led to rapid regional changes. These and other similar, sudden external factors could quickly weaken the market situation and have a negative impact on Cargotec's short-term prospects.

Cargotec's wide group of customers and suppliers requires active and continuous monitoring, in order to minimise risks associated with credit losses or supply chain disruptions. Credit loss risks typically diminish as markets recover. On the other hand, with all parts of the supply chain ramping up production, recovering markets can be subject to occasional problems in component availability. The resulting supply problems could weaken the development of sales and profitability. In addition, improving markets are expected to create upward pressure on component prices. This will require active development of Cargotec's sourcing operations, as well as price management on end products.

Cargotec estimates that the shipbuilding market has recovered from the high risk levels caused by the downturn. Analysis of the order book shows that an estimated EUR 150 million of Marine's orders are subject to a risk of postponement or cancellation.

Outlook

Cargotec's 2011 sales are estimated to grow approximately 20 percent. Healthy first quarter order intake both in Industrial & Terminal and Marine segments together with the recovery in the market situation supports a more positive growth expectation. Sales growth and significant efficiency improvement measures executed during the past years, support profitability, but there is cost pressure on the markets. Cargotec's 2011 operating profit margin is estimated to be approximately 7 percent.

In February, Cargotec's 2011 sales were estimated to grow over 10 percent and 2011 operating margin was estimated to continue to improve.

Financial calendar 2011

Interim report January–June 2011, on Thursday, 21 July 2011
Interim report January–September 2011, on Thursday, 27 October 2011

Helsinki, 27 April 2011
Cargotec Corporation
Board of Directors

This interim report is unaudited.

Condensed consolidated statement of income

MEUR	1-3/2011	1-3/2010	1-12/2010
Sales	**762.6**	**555.1**	**2,575.0**
Cost of goods sold	-614.7	-448.4	-2,052.2
Gross profit	**147.9**	**106.7**	**522.8**
Gross profit, %	*19.4*	*19.2*	*20.3*
Costs and expenses	-97.4	-90.9	-381.8
Restructuring costs	-	-2.3	-10.5
Share of associated companies' and joint ventures' net income	0.1	0.1	0.8
Operating profit	**50.6**	**13.5**	**131.4**
Operating profit, %	*6.6*	*2.4*	*5.1*
Financing income and expenses	-4.2	-6.7	-29.9
Income before taxes	**46.4**	**6.8**	**101.4**
Income before taxes, %	*6.1*	*1.2*	*3.9*
Income taxes	-10.3	3.0	-23.4
Net income for the period	**36.2**	**9.8**	**78.0**
Net income for the period, %	*4.7*	*1.8*	*3.0*
Net income for the period attributable to:			
Equity holders of the company	36.1	7.8	74.2
Non-controlling interest	0.1	2.1	3.8
Total	**36.2**	**9.8**	**78.0**
Earnings per share for profit attributable to the equity holders of the company:			
Basic earnings per share, EUR	0.59	0.13	1.21
Diluted earnings per share, EUR	0.59	0.13	1.21

Consolidated statement of comprehensive income

MEUR	1-3/2011	1-3/2010	1-12/2010
Net income for the period	36.2	9.8	78.0
Gain/loss on cash flow hedges	23.5	7.7	102.5
Gain/loss on cash flow hedges transferred to statement of income	-4.6	1.2	-25.6
Translation differences	-21.4	48.5	124.3
Taxes relating to components of other comprehensive income	-5.5	-16.6	-53.7
Comprehensive income for the period	**28.2**	**50.6**	**225.5**
Comprehensive income for the period attributable to:			
Equity holders of the company	28.1	48.2	220.3
Non-controlling interest	0.1	2.4	5.2
Total	**28.2**	**50.6**	**225.5**

Consolidated statement of financial position

ASSETS, MEUR	31 Mar 2011	31 Mar 2010	31 Dec 2010
Non-current assets			
Intangible assets	954.8	813.6	838.6
Property, plant and equipment	286.6	308.8	292.4
Investments in associated companies and joint ventures	7.6	7.5	7.7
Loans receivable and other interest-bearing assets 1)	10.5	12.0	10.8
Non-interest-bearing assets	120.7	130.3	128.7
Total non-current assets	**1,380.2**	**1,272.1**	**1,278.2**
Current assets			
Inventories	698.7	617.6	678.8
Loans receivable and other interest-bearing assets 1)	4.7	3.2	4.9
Accounts receivable and other non-interest-bearing assets	636.4	563.1	635.9
Cash and cash equivalents 1)	130.3	265.2	317.7
Total current assets	**1,470.2**	**1,449.1**	**1,637.4**
Assets held for sale	**0.1**	**-**	**0.4**
Total assets	**2,850.5**	**2,721.1**	**2,916.0**

EQUITY AND LIABILITIES, MEUR	31 Mar 2011	31 Mar 2010	31 Dec 2010
Equity			
Equity attributable to the equity holders of the company	1,056.4	894.6	1,065.4
Non-controlling interests	4.1	11.0	3.7
Total equity	**1,060.5**	**905.6**	**1,069.0**
Non-current liabilities			
Loans 1)	382.8	524.9	403.8
Deferred tax liabilities	57.9	26.5	58.7
Provisions	24.7	28.4	24.9
Pension obligations and other non-interest-bearing liabilities	72.7	81.6	82.8
Total non-current liabilities	**538.2**	**661.4**	**570.1**
Current liabilities			
Loans 1)	79.8	83.9	96.5
Provisions	66.0	48.8	65.0
Advances received	376.9	363.4	411.3
Accounts payable and other non-interest-bearing liabilities	729.2	658.1	703.9
Total current liabilities	**1,251.8**	**1,154.1**	**1,276.8**
Total equity and liabilities	**2,850.5**	**2,721.1**	**2,916.0**

1) Included in interest-bearing net debt. In addition, the calculation of the interest-bearing net debt includes the hedging of cross-currency risk relating to the USD 300 million Private Placement bond, totalling on 31 March 2011, EUR 14.6 (31 Mar 2010: 3.2 and 31 Dec 2010: 1.2) million.

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 2010	64.3	98.0	-1.1	-24.9	734.6	870.9	10.6	881.5
Net income for the period					7.8	7.8	2.1	9.8
Other comprehensive income for the period *								
Cash flow hedges				5.9		5.9	0.4	6.2
Translation differences			34.6			34.6		34.6
Dividends paid					-24.4	-24.4	-1.8	-26.3
Share-based incentives, value of received services *					0.0	0.0		0.0
Other changes							-0.3	-0.3
Equity on 31 Mar 2010	**64.3**	**98.0**	**33.5**	**-19.1**	**717.9**	**894.6**	**11.0**	**905.6**
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					36.1	36.1	0.1	36.2
Other comprehensive income for the period *								
Cash flow hedges				14.3		14.3		14.3
Translation differences			-22.3			-22.3	0.0	-22.3
Dividends paid					-37.3	-37.3		-37.3
Share-based incentives, value of received services *					0.3	0.3		0.3
Other changes							0.3	0.3
Equity on 31 Mar 2011	**64.3**	**98.0**	**64.5**	**47.6**	**782.0**	**1,056.4**	**4.1**	**1,060.5**

* Net of tax

Key figures

		1-3/2011	1-3/2010	1-12/2010
Equity/share	EUR	17.22	14.58	17.37
Interest-bearing net debt	MEUR	334.5	336.1	171.2
Total equity/total assets	%	42.9	38.4	42.7
Gearing	%	31.5	37.1	16.0
Return on equity	%	13.6	4.4	8.0
Return on capital employed	%	13.4	3.8	8.6

Consolidated statement of cash flows

MEUR	1-3/2011	1-3/2010	1-12/2010
Net income for the period	36.2	9.8	78.0
Depreciation and impairments	15.1	12.8	60.5
Other adjustments	14.4	3.7	46.4
Change in working capital	-29.5	20.2	108.1
Cash flow from operations	**36.2**	**46.5**	**292.9**
Cash flow from financial items and taxes *	-18.1	-8.7	-33.6
Cash flow from operating activities	**18.1**	**37.8**	**259.3**
Acquisitions	-132.9	-0.6	-40.1
Cash flow from investing activities, other items	-10.7	-13.6	-28.3
Cash flow from investing activities	**-143.7**	**-14.2**	**-68.3**
Proceeds from share subscriptions	-	-	-
Acquisition of treasury shares	-	-	-
Proceeds from long term borrowings	0.0	1.1	0.0
Repayments of long term borrowings	-10.2	-2.4	-106.3
Proceeds from short term borrowings	0.2	0.5	1.9
Repayments of short term borrowings	-1.9	-4.9	-13.0
Dividends paid	-37.3	-24.4	-27.9
Cash flow from financing activities	**-49.3**	**-30.1**	**-145,2**
Change in cash	**-174.8**	**-6.5**	**45.8**
Cash, cash equivalents and bank overdrafts at the beginning of period	303.6	252.5	252.5
Effect of exchange rate changes	-2.0	2.5	5.4
Cash, cash equivalents and bank overdrafts at the end of period	**126.7**	**248.5**	**303.6**
Bank overdrafts at the end of period	3.6	16.7	14.1
Cash and cash equivalents at the end of period	**130.3**	**265.2**	**317.7**

* Cash flow from financial items and taxes 1-12/2010 include EUR 0.2 million capitalised interests.

Segment reporting

Sales, MEUR	1-3/2011	1-3/2010	1-12/2010
Industrial & Terminal	442	314	1,526
Marine	322	241	1,050
Internal sales	-2	0	-1
Total	**763**	**555**	**2,575**

Operating profit, MEUR	1-3/2011	1-3/2010	1-12/2010
Industrial & Terminal	18.8	-7.3	37.1
Marine	43.3	34.3	147.6
Corporate administration and support functions	-11.5	-11.2	-42.8
Operating profit excluding restructuring costs	**50.6**	**15.8**	**141.9**
Restructuring costs:			
Industrial & Terminal	-	1.6	8.3
Marine	-	0.1	0.1
Corporate administration and support functions	-	0.6	2.1
Total restructuring costs	**-**	**2.3**	**10.5**
Total	**50.6**	**13.5**	**131.4**

Operating profit, %	1-3/2011	1-3/2010		1-12/2010	
Industrial & Terminal	4.3	-2.3	*	2.4	*
Marine	13.4	14.2	*	14.1	*
Cargotec, operating profit excluding restructuring costs	6.6	2.8		5.5	
Cargotec	6.6	2.4		5.1	

* Excluding restructuring costs.

Sales by geographical area, MEUR	1-3/2011	1-3/2010	1-12/2010
EMEA	313	234	1,087
Asia-Pacific	314	224	1,022
Americas	136	97	466
Total	**763**	**555**	**2,575**

Sales by geographical area, %	1-3/2011	1-3/2010	1-12/2010
EMEA	41.0	42.1	42.2
Asia-Pacific	41.2	40.3	39.7
Americas	17.8	17.5	18.1
Total	**100.0**	**100.0**	**100.0**

Orders received, MEUR	1-3/2011	1-3/2010	1-12/2010
Industrial & Terminal	535	415	1,690
Marine	286	183	1,040
Internal orders received	-2	0	-1
Total	**819**	**598**	**2,729**

Order book, MEUR	31 Mar 2011	31 Mar 2010	31 Dec 2010
Industrial & Terminal	778	637	680
Marine	1,595	1,602	1,675
Internal order book	0	0	0
Total	**2,373**	**2,239**	**2,356**

Capital expenditure, MEUR	1-3/2011	1-3/2010	1-12/2010
In fixed assets (excluding acquisitions)	5.8	17.2	43.5
In leasing agreements	0.0	0.1	0.5
In customer financing	8.9	2.3	16.4
Total	**14.7**	**19.5**	**60.3**

Number of employees at the end of period	31 Mar 2011	31 Mar 2010	31 Dec 2010
Industrial & Terminal	7,805	6,960	7,310
Marine	2,175	2,197	2,191
Corporate administration and support functions	453	352	453
Total	**10,433**	**9,509**	**9,954**

Average number of employees	1-3/2011	1-3/2010	1-12/2010
Industrial & Terminal	7,506	6,874	7,055
Marine	2,170	2,227	2,190
Corporate administration and support functions	455	347	428
Total	**10,132**	**9,447**	**9,673**

Notes

Taxes in income statement

MEUR	1-3/2011	1-3/2010	1-12/2010
Current year tax expense	20.8	10.0	36.9
Change in deferred tax assets and liabilities	-10.7	-13.0	-10.0
Tax expense for previous years	0.1	-0.1	-3.4
Total	**10.3**	**-3.0**	**23.4**

Commitments

MEUR	31 Mar 2011	31 Mar 2010	31 Dec 2010
Guarantees	0.4	0.5	0.5
Dealer financing	-	0.0	0.0
End customer financing	8.8	9.9	8.9
Operating leases	64.6	48.5	69.5
Other contingent liabilities	3.4	3.6	3.5
Total	**77.3**	**62.6**	**82.3**

Cargotec Corporation has guaranteed obligations of Cargotec companies, arising from ordinary course of business, up to a maximum of EUR 459.5 (31 Mar 2010 554.7 and 31 Dec 2010: 474.4) 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	31 Mar 2011	31 Mar 2010	31 Dec 2010
Less than 1 year	18.4	11.6	16.1
1-5 years	28.9	23.0	34.3
Over 5 years	17.3	13.9	19.1
Yhteensä	**64.6**	**48.5**	**69.5**

The aggregate operating lease expenses totaled EUR 6.4 (1-3/2010 4.3 and 1-12/2010: 17.7) million.

Fair values of derivative financial instruments

MEUR	Positive fair value 31 Mar 2011	Negative fair value 31 Mar 2011	Net fair value 31 Mar 2011	Net fair value 31 Mar 2010	Net fair value 31 Dec 2010
FX forward contracts	72.2	41.4	30.9	-34.5	37.5
Cross-currency and interest rate swaps	1.2		1.2	4.9	13.4
Total	**73.4**	**41.4**	**32.1**	**-29.7**	**50.9**
Non-current portion:					
FX forward contracts	6.3	2.2	4.1	-4.7	2.7
Cross-currency and interest rate swaps	1.2	-	1.2	4.9	13.4
Non-current portion	**7.5**	**2.2**	**5.3**	**0.1**	**16.1**
Current portion	**65.9**	**39.2**	**26.7**	**-29.8**	**34.8**

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

Nominal values of derivative financial instruments

MEUR	31 Mar 2011	31 Mar 2010	31 Dec 2010
FX forward contracts	3,441.9	2,381.5	3,017.3
Cross-currency and interest rate swaps	225.7	225.7	225.7
Total	**3,667.6**	**2,607.2**	**3,243.1**

Acquisitions

Navis

At the end of January 2011, Cargotec announced the acquisition of US-based terminal operating systems provider Navis by acquiring 100 percent of the shares in Navis Holding LLC from Zebra Technologies Corporation. The acquisition was completed in March after regulatory approvals were received and the acquired business was consolidated in the Industrial & Terminal reporting segment as of 19 March 2011.

The table below presents the purchase price allocation, which is calculated on the basis of Navis' provisional consolidated balance sheet as per 19 March 2011. It is prepared in accordance with IFRS and Cargotec's accounting principles in respect of all material elements. Because the fair value calculation of the acquired assets and liabilities was not completed as of March 31, 2011, accounting of the business combination is preliminary and the fair values of the acquired net assets and the amount of goodwill may be subject to adjustments until the fair valuation work is finalised. In the preliminary purchase price allocation, the allocation to intangible assets includes the fair valuation of technology, trademark and customer relationships. An adjustment to fair value has been made to the deferred revenue recognised on Navis' acquisition date balance sheet when no future obligation to provide additional services exists. As the fair value of the remaining obligation is less than the book value, the re-measurement of deferred revenue will decrease by approximately EUR 10 million the post-acquisition sales and profitability of Navis for slightly over one year when consolidating it to Cargotec. The acquired goodwill is primarily based on personnel and expected synergy benefits.

Together Cargotec and Navis are able to offer integrated solutions enabling them a better position in delivering total solutions to customers. The goodwill is expected to be tax-deductible for income tax purposes.

The impact of Navis for the period March 19-30, 2011 is not material to Cargotec's consolidated sales and profit, and the period will be included in Cargotec's second-quarter result. Transaction costs of EUR 1.8 million are included in the first-quarter operating profit of Industrial & Terminal segment and in other operating expenses in the consolidated statement of income.

Acquired net assets and goodwill, provisional values

MEUR	
Intangible assets	73.1
Property, plant and equipment	0.9
Accounts receivable and other non-interest-bearing assets	15.3
Cash and cash equivalents	0.7
Accounts payable and other non-interest-bearing liabilities	-6.1
Net assets	**83.8**
Purchase price	132.7
Goodwill	**48.9**
Purchase price, settled in cash	132.7
Cash and cash equivalents acquired	-0.7
Cash flow impact	**132.0**

Other acquisitions

In December 2010, Cargotec became a majority shareholder in Kalmar (Malaysia) Sdn. Bhd. by increasing its ownership in the company from 50.0 to 69.9 percent. The deal was closed in early January.

In November 2010, Cargotec acquired the assets of a Swedish installation and service company, Hallberg-Ivarsson Hydraulik & Påbyggnad AB, located in Gothenburg. The company specialises in installation and services for on-road load handling equipment and heavy vehicles. The deal was closed in early January.

The combined purchase price allocation from these acquisitions is presented below. The allocation is calculated on the basis of the provisional balance sheets of acquired businesses as per 1 January 2011 prepared in accordance with IFRS and Cargotec's accounting principles in respect of all material elements. Because the process of fair valuing the acquired assets and liabilities was not completed as at the reporting date, the initial accounting for the business combinations is incomplete as at March 31, 2011 and the fair values of the acquired net assets and the amount of goodwill may be subject to adjustments until the fair valuation process is finalised.

The pre-existing share ownership in Kalmar (Malaysia) Sdn. Bhd. has been valued at fair value at the date of acquisition. The revaluation result of EUR 1.7 million is included in other operative income in the consolidated statement of income.

Transaction costs related to the acquisitions are included in other operative expenses in the consolidated statement of income.

Acquired net assets and goodwill, provisional values

MEUR	
Intangible assets	0.0
Property, plant and equipment	0.3
Accounts receivable and other non-interest-bearing assets	4.7
Inventories	0.6
Cash and cash equivalents	0.1
Accounts payable and other non-interest-bearing liabilities	-4.6
Loans	-0.2
Deferred tax liabilities	0.0
Net assets	**0.8**
Purchase price	3.1
Goodwill	**2.3**
Purchase price, settled in cash	0.7
Cash and cash equivalents acquired	-0.1
Cash flow impact	**0.6**

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 for 2010. 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 2011

Starting from January 1, 2011 Cargotec has adopted the following amended standards published in 2009 and 2010 by the IASB:
- IAS 24 (revised): Related Party Disclosures. The revised standard simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party.
- IAS 32 (amendment): Financial instruments: Presentation – Classification of Rights Issues. The amendment addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer.

Additionally, Cargotec has adopted the amendments related to the IFRS 2010 Annual Improvements, which have been endorsed by EU. Aforementioned changes have no material impact on the financial statements.

The definition of services business was clarified as of 1st January 2011. The financial information for comparable periods has been restated accordingly.

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		Q1/2011	Q4/2010		Q3/2010		Q2/2010		Q1/2010	
Orders received	MEUR	819	716		683		732		598	
Order book	MEUR	2,373	2,356		2,395		2,433		2,239	
Sales	MEUR	763	747		635		638		555	
Operating profit	MEUR	50.6	44.5	*	42.8	*	38.8	*	15.8	*
Operating profit	%	6.6	6.0	*	6.7	*	6.1	*	2.8	*
Basic earnings/share	EUR	0.59	0.39		0.38		0.32		0.13	

Industrial & Terminal		Q1/2011	Q4/2010		Q3/2010		Q2/2010		Q1/2010	
Orders received	MEUR	535	462		389		423		415	
Order book	MEUR	778	680		710		740		637	
Sales	MEUR	442	471		379		362		314	
Operating profit	MEUR	18.8	20.9	*	16.0	*	7.4	*	-7.3	*
Operating profit	%	4.3	4.4	*	4.2	*	2.0	*	-2.3	*

Marine		Q1/2011	Q4/2010		Q3/2010		Q2/2010		Q1/2010	
Orders received	MEUR	286	254		294		309		183	
Order book	MEUR	1,595	1,675		1,686		1,694		1,602	
Sales	MEUR	322	276		256		277		241	
Operating profit	MEUR	43.3	33.2		36.4	*	43.7	*	34.3	*
Operating profit	%	13.4	12.0		14.2	*	15.8	*	14.2	*

* Excluding restructuring costs