

FINAL TRANSCRIPT

Thomson StreetEventsSM

CGCBV.HE - Q2 2008 Cargotec Corporation Conference Call

Event Date/Time: Jul. 17. 2008 / 7:00AM ET

Jul. 17. 2008 / 7:00AM, CGCBV.HE - Q2 2008 Cargotec Corporation Conference Call

CORPORATE PARTICIPANTS

Eeva Makela

Cargotec Corporation - CFO

Mikael Makinen

Cargotec Corporation - President and CEO

Kari Heinisto

Cargotec Corporation - Deputy CEO

CONFERENCE CALL PARTICIPANTS

Erkki Vesola

eQ Bank - Analyst

Lauri Saarela

Landsbanki - Analyst

Jari Harjunpaa

Evli Bank - Analyst

Tom Skogman

Handelsbanken - Analyst

Sanna Kaje

Glitnir - Analyst

Sasu Ristimaki

SEB - Analyst

Johan Lindh

Kaupthing Bank - Analyst

Anna Patrice

Berenberg Bank - Analyst

Bilquis Ahmed

JP Morgan - Analyst

Johan Eliason

Cheuvreux - Analyst

Sebastian Ubert

UBS - Analyst

Miikka Kinnunen

Carnegie - Analyst

Teea Reijonen

Standard and Poor's Equity Research - Analyst

PRESENTATION

Operator

Welcome to the Cargotec Corporation quarter two review. My name is Sarah and I will be your coordinator for today's conference. (OPERATOR INSTRUCTIONS). I am now handing you over to Eeva Makela to begin today's conference.

Jul. 17. 2008 / 7:00AM, CGCBV.HE - Q2 2008 Cargotec Corporation Conference Call

Eeva Makela - Cargotec Corporation - CFO

Thank you, operator. Ladies and gentlemen, welcome to Cargotec Corporation's earnings call on the January/June 2008 results. We'll start with a presentation by our President and CEO, Mikael Makinen. After that, we'll be ready to take your questions. We have a live audience here in Helsinki and then people from all over the world on the phone lines, so we will be taking some questions from both ends. But we'll start with the presentation, Mikael, please.

Mikael Makinen - Cargotec Corporation - President and CEO

Thank you. Welcome, everybody. I'll spend 15 to 20 minutes going through the January/June result and a few highlights around that, and then I hope if you have questions or comments, please feel free.

Start with the key issues January/June. The orders grew by 16% which, I would say, it's quite a good achievement. I'll come back to the different divisions a bit later. Sales, 13% growth, which very much is in line with what we said about this year, although the first quarter was slow, so now we are catching up. Out of this growth, 9% was organic or it was from acquisitions. Service development, good, strong with 15% growth. Operating profit EUR107m for the first six months.

I've now divided the presentation into one page of the three businesses plus one page about service. I just thought that it would be easier for you to follow how we see the market, how we see the development in the different businesses.

Let's start with Hiab. As said here in the heading, mixed market environment, very much so. We have been talking already for many quarters about the very, very weak U.S. market, so it's not even here in our highlights any more. It is weak and we haven't seen any light in the tunnel.

If we then talk about the European market, it has been very strong in Central and Northern Europe. But, as I already said after quarter one, Southern Europe, we can see some weaknesses there, especially Spain and Italy. Those are markets where the Hiab market is going down, which means our order intake and sales is [very low there].

Besides that, I must say that Middle East is developing very well, Asia developing very well. And a second highlight here, demand for demountable systems in waste handling is strong. What we are trying to do in the Company at the same time is to move from only products to segments, and waste management is a very, very interesting segment where we put a lot of effort in developing products and solutions for our customers.

Profitability is challenged by increasing raw materials and component prices. How should we understand that? When the market is very, very booming it's, of course, easier to move on the raw material and component price increases, whatever they are, to the end customer. But when the market starts to be more hesitant, it's not that easy. That's why I've put it up here as one of the points about Hiab. It doesn't mean that it's a catastrophe, but it means that even more when we are talking about on the move, even more reason we need to speed up those efforts to be internally as efficient as possible.

Kalmar profitability developing according to plan. Order intake grew by 12%. Some comments that I've got since we announced the result at 12 o'clock was that was it so good order intake in Kalmar? Expectations were a few millions higher. This is project business. They are big projects. There's quite a number of big projects out there. So, am I worried? Not at all.

July has started very well. We could very well have a bit order intake in June that's [funny]. It's -- for us, we are not talking about a quarter here or there, so the market looks fine. Especially RTG and reachstacker markets, they have been very, very active.

Something around that is that I would say that there are a bigger number of big projects now around than there has been before. Whether they materialize now, whether they materialize ever, I don't know, but the market is fairly interesting from that point of view.

Jul. 17. 2008 / 7:00AM, CGCBV.HE - Q2 2008 Cargotec Corporation Conference Call

Operating margin improved from 6% in the first quarter to 8.2% in the second quarter. You heard after Q1 Pekka Vauramo's presentation about what he's trying to achieve in Kalmar and I think we now have a much better plan and, how would I say, a better plan and a better visibility in what's good and what needs to further be developed in Kalmar.

Pro Future concept, I listed it here because the Pro Future is our way of looking at developing very environmentally-friendly products, products that are from recyclability, from energy consumption, from the way they are being produced efficient and environmentally friendly. Of course, today, this environmental friendliness in the eyes of many customers is actually one word, it's fuel consumption. They like the products because they are green, but mainly because they consume less fuel than traditional products. So that's an additional benefit of our Pro Future concept.

MacGREGOR, strong order intake in both offshore and marine cargo systems. I put here as the second bullet point, 80% of this EUR2.3b order book will be delivered by the end of 2010. Why did I put that bullet point here? To give you some kind of an indication that we have a healthy order book, that we have a good order book. We have an order book that says to us fairly good visibility for Kalmar for the coming years.

Operating margin improving. We have a better project mix. We have been taking in new Asian partner [plants] that can increase the volume and, as I say, directly the operating margin.

Service, strong, very good growth. In this market situation people are demanding good service partners. Second point, conversion projects. We have launched a unit that looks at conversion. What is conversion? Conversion today is the biggest projects. There are tankers that are being converted into bulk carriers. Single hull tankers that cannot be used in some areas in the world, they are being converted into bulk carriers. And they are fairly interesting projects for us because they are bulk handling equipments, they are hatch covers, they have new cranes, many of our products.

Maintenance contracts for container handling. I would say that now when the big container operators are being consolidated they also are better at calculating maintenance contracts, should they do it in-house, should they do it externally, should they outsource it. Small operators usually have difficulties in calculating the benefit of using outside help.

Service today, 25% of our sales. As I said, it could be one third, it could be 40% max of Cargotec's sales revenue in the future. We'll see.

Geographical sales. Of course, if we look at Americas, down from EUR344m to EUR255m. Yes, it's the mainly higher market that is down there. But I would say that the highlight in this picture is the good growth in Asia. Also you will remember when we started to talk about the Asian development about two years ago, we said we have to put more effort on Asia.

Asia has to be -- it is one of the very biggest markets in the world; we have to be present there. We were not so good in that part of the world. But now 400 -- more than EUR400m for the first half year, which means that we are soon on a 12-month basis being more than EUR1b of our business in Asia. I think that's a very, very, very good achievement.

Service, we are talking about this 15% growth, good growth. Of course, I would like it to be even more than that. Good achievement in Hiab. You remember last time I told you that Hiab we are looking at new concept. How can we be more in the Service, not only selling spare parts? So now we see some fruits of that development.

Kalmar, 9%; a good figure, not good enough. MacGREGOR, same thing. As I told you last time, we had a lot of ship owners who did not do service. They postponed from service because the day rates were so high. The day rates are lower today so now they can afford to do service, take the ships out of service for a day or a week to do the service work.

Operating profit, of course this is well known to all of you. Is there anything special I would like to mention? No, the quarter was good. Half year is, of course, not according to our expectation. But we said already after last month that this year will be like

Jul. 17. 2008 / 7:00AM, CGCBV.HE - Q2 2008 Cargotec Corporation Conference Call

this, big deliveries towards the end of the year, the profitability goes up quarter by quarter. We can come back to the different businesses a bit later.

Anything special in the key figures here? Maybe not. Cash flow EUR94m. Okay, but it starts to look -- it's very much like last year. More work has to be done towards the end of the year.

Acquisitions, I won't go through the acquisitions here but -- more than to say that you have seen now six acquisitions during this last six months, of which it is only one in the last quarter, as far as I remember. Two, okay, yes. But you can see that there is -- at least that we were buying companies every month. We are not doing that any more. We are now -- we have now -- we scanned the world. We went after those companies we wanted to have. We have got most of them. Now we move into other phases of the development of the Company. If some interesting companies come up, yes, we will acquire them if they are correctly priced.

On the Move; a lot has been discussed both at the beginning of the year after quarter one about On the Move. On the Move is our program of making this Company more efficient to afford us to be able to grow to be the real market leader. The first phase now all starts by we have tightened the timetable, tried to make it even quicker than we estimated at the beginning of the year. So the costs that we are expecting this year, they are around EUR10m.

What have we achieved, what will we achieve this year? We are initiating IT projects, very important platforms that we need for being really one Company. We streamline the support functions. All the support functions will be streamlined. They were very much side-loaded as I've said before.

Country organizations, the first [true] one that will go live are Finland and Sweden. The biggest ones where we have tens of legal companies that we're going to put together into one Legal unit to be more efficient. We are analyzing many, many other countries to see. Of course, over time, it will happen in all those. I don't know how many countries we have got [advice].

Maybe the new thing we have is the global footprint where I would like to spend some time around this, slide number 13. We have invested or decided about investments for EUR50m in year 2008 and also decided about EUR15m 2009. With these investments the output value will be close to 0.5b, or EUR0.5b. So we have done a huge shift already this year from -- for output value. Put the investments in areas, as you can see, Asia, former Eastern Europe, America. So a very big shift is happening or ongoing right now and, of course, this is only the first step that you see here.

If we go quickly through those, Shanghai, Kalmar had a factory there. We had different types of Hiab operation. Now we expand the Kalmar factory so that it can take over all the Hiab load handling equipment as well so that we have everything under one roof. A more efficient, faster way of moving production to China for the Asian market.

Tianjin, we started a few months ago our new facility for offshore equipment. We have built it over the last one and a half years. Now was the start up, a fairly big factory. Tianjin is the coastal city from Beijing. That's for offshore equipment, all kind of offshore winches that had been produced in Singapore so far. So we freed space from Singapore, moved those offshore equipment to Tianjin in China.

What did we do with the free space in Singapore? We have a fairly big investment there and now we have already moved some of the crane production from Norway to Singapore. So the most complicated cranes will be in Norway. The medium complicated cranes that were in Norway they are move to Singapore. The Singapore products they are move to Tianjin in China and to Indonesia where we have a factory (inaudible). So a fairly big shift here in the offshore area.

And we have very high hopes for the whole offshore industry. We feel that they are in a very, very good position there. We have good products, now we have good facilities to go after the market and the cycle is different from the normal shipbuilding in that respect.

Jul. 17. 2008 / 7:00AM, CGCBV.HE - Q2 2008 Cargotec Corporation Conference Call

Korea, loader crane capacity. We need loader -- special loader cranes that are used. The are Hiab cranes that they are used on land, but they are also used on ships. We double the capacity in Korea. All the bottlenecks there, the pain in some assembly areas that were not so, were increased so that we could double the capacity.

Malaysia, that's where we make the spreaders. That's the one that takes up the container, picks the container. That's our main factory for making spreaders. And they were working under very difficult conditions. The factory was too small. It was not up to today's standard from that point of view. So we -- by some investment into that factory we can expand the capacity but also have a better flow through.

Estonia, we acquired some time ago a factory downstream in Estonia. Fine, what have we done now with it? We have pulled down part of it, built a new factory. Now this year we decided to speed up the production move of components to Narva, so we had to do additional investments there. We have about 500 plus people there. They will make components for, in the beginning, Hiab, but then Kalmar as well.

Texas U.S., new capacity for container handling. We have some special equipment in Sweden, rough terrain container handlers that are produced in Sweden. The main market is in U.S. and now we have decided that that part of the Swedish capacity for rough terrain handlers will be moved to U.S., to Texas where the main market is, actually. So that's a big move.

So within the last six months we have really shifted the new investments into those new areas.

If we go to the outlook, the text you have read. We have said that the full-year sales expected to be the previous year's level and, actually, we have not changed that. We have a strong order intake. We have a record high order book. I was talking about how a big part of the MacGREGOR order book that to be delivered within the coming two years, so we are quite sure about that business from sales point of view, this business how the year will look.

Very often we get the question about how about MacGREGOR, will there be cancellations? When will the order intake stop? Order intake stops. We have seen some -- some reports say that the order intake for a shipyard, for ships has slowed down. Yes, that's true, but you have to analyze it more in detail, which type of ships have stopped? Some types of ships are of no interest to us. Some types are of interest to us. So there's still order intake but, yes, definitely one day it will stop. Now we are talking about the deliveries 2012, 2013. Some day the MacGREGOR order intake will stop but, as I said earlier, it has no big impact on our revenue for the coming years.

Kalmar and MacGREGOR profitability is estimated to develop positively in line with earlier expectations. As you saw already in this quarter, okay, one quarter can be very short but we feel that in these two businesses we now have a very good grip on where we are.

Hiab; that's the much more uncertain here. Three month's order book, you have seen the order intake is fine. No catastrophe in Hiab but, of course, it's the business that will have the biggest uncertainties.

Operating margin, we have said that it will improve from previous year's 7.3%; that's compared to last quarter. Watch the last digit. We are also saying that it's somewhere between 7.3% and 8%, then the last digit depends on Hiab's uncertainties.

So the future looks okay. It's more mixed than one quarter ago. I don't see any big catastrophes. I don't see any huge clouds on the Kalmar and MacGREGOR side in the short term. Hiab order intake was still okay, but the market is definitely uncertain.

And here, you have to remember and don't look at only truck registration. Because remember that 15% of the trucks in Europe, only 5% of the trucks in U.S. have some kind of load handling equipment. So it's more a combination of construction and truck registration than pure truck registration when you analyze it.

Okay, thank you.

Jul. 17. 2008 / 7:00AM, CGCBV.HE - Q2 2008 Cargotec Corporation Conference Call

QUESTIONS AND ANSWERS

Eeva Makela - *Cargotec Corporation - CFO*

Okay, we're now ready for questions. In addition to Mikael and myself, we have our Deputy CEO, Kari Heinisto here available for questions, as well as Ms. Tiina Naumanen, a Senior Vice President [with] Control. We'll start with the questions here in the Helsinki audience. Please use the microphone so that also the phone call participants can hear you and also state your name and company before asking your question.

Erkki Vesola - *eQ Bank - Analyst*

Erkki Vesola with eQ Bank. You guys are showing a pretty good sequential gross margin development. Could you walk us through the gross margin development by division? And how do you see the gross margin development going forward?

Mikael Makinen - *Cargotec Corporation - President and CEO*

The gross margin development in the -- just on -- let's start with the easiest one which is MacGREGOR. We have a long order book. Most of the contracts are tied to a steel clause so the gross -- and then the sales is going up, so there you have a fairly good development of gross margin. But keep in mind that we don't have the operational leverage so it's not [at all like the -- but I understood that your question is about this risk in the gross margin.

If we then go to Kalmar, [818] Kalmar order book, gross margin development is very much dependent on the type of project so they -- but I feel that we have it under control there as well.

Last, but not least, Hiab. Of course we have the gross margin under control, but there is the biggest pressure on, as I already said here on page three about Hiab. Challenged by increasing raw material and component prices; that's where you see a more challenging picture, not a catastrophe, but a much more challenging picture than in the other ones.

Lauri Saarela - *Landsbanki - Analyst*

Lauri Saarela, Landsbanki. I would have a question on --

Mikael Makinen - *Cargotec Corporation - President and CEO*

Sorry, I cannot hear you.

Lauri Saarela - *Landsbanki - Analyst*

I would have a question on Kalmar's order backlog. In the report you did mention that you have booked several larger orders for 2009 deliveries. Do you still have to book orders in order to achieve your goal for 2008, and how does the outlook for 2009 look? It's really very hard to get an understanding on the sales development from the outside.

Jul. 17. 2008 / 7:00AM, CGCBV.HE - Q2 2008 Cargotec Corporation Conference Call

Mikael Makinen - Cargotec Corporation - President and CEO

As I've said, of course we have to book orders for 2008. We have the big projects but then you have this ongoing business. Every day someone has to sell terminal tractors and reachstackers and so on. That business goes on and there might be a current delivery time of three, four months for those products. So, of course, one quarter more we have to sell.

In addition to that, of course, you have to remember service that's sold every day and the delivery time is one week maybe for a spare part. So, yes, we have to -- it's not so that everything is in the book yet for 2008.

If you then talk about 2009, we have very interesting projects. We have very, very interesting already deliveries in the order book but, as I said, eight to nine months order book so, of course, a lot has to be done for 2009. But, based on what we see in the market, we have a quite positive look at the development of Kalmar also in 2009.

Jari Harjunpaa - Evli Bank - Analyst

Jari Harjunpaa, Evli Bank. I have a couple of questions. First, starting from On the Move program, and now there is these costs that you are going to incur is about EUR10m. So what was it earlier? That is the number one question.

And then the second one, if we are now looking at the globalization footprint and looking at MacGREGOR's point of view, here, you have most of the production has been outsourced. And now when you have this offshore business, how much of this is actually going to be in-house and assembly what you are doing so, basically, percentage from the sales that are now in your hands?

Mikael Makinen - Cargotec Corporation - President and CEO

Okay, let's start, Kari, On the Move because you have it there in six. Just a second. Microphone, he needs a microphone.

Kari Heinisto - Cargotec Corporation - Deputy CEO

Yes, this is Kari Heinisto speaking. So now we have reported that those tariffs go directly to On the Move related costs will be around EUR10m. It's considerably more than earlier. So if you take half of it, so we are quite close. That's what we have said.

Mikael Makinen - Cargotec Corporation - President and CEO

Offshore, yes, offshore in MacGREGOR is within our own factories. The big difference is that how do you protect the normal MacGREGOR equipment from not being copied by someone in, for example, China? It's a very, very big and good brand name. Nobody wants to have a hatch cover and get it, it's a small part of the ship's price. But for cranes, because we are making only sophisticated cranes, we have to have the end assembly in our own hands. I would not like to give it out to anyone because the whole technology is there. The crane doesn't look so sophisticated, but it's extremely sophisticated.

How big part is the offshore? Have we said that, Eeva, how much is offshore out of our MacGREGOR?

Eeva Makela - Cargotec Corporation - CFO

No, we haven't said. When we acquired it, it was about EUR100m sales of our business, but we've said that we certainly expect it to more than double this year, which gives a relatively good indication.

Jul. 17. 2008 / 7:00AM, CGCBV.HE - Q2 2008 Cargotec Corporation Conference Call

Mikael Makinen - Cargotec Corporation - President and CEO

So more than double EUR100m, so it's [part of it].

Tom Skogman - Handelsbanken - Analyst

Yes, this is Tom Skogman from Handelsbanken Capital Markets. Remembering how badly beaten the margins were in Hiab in the U.S. and the demand weak, and you -- we know that it was a lot to the truck mounted forklift business, of course, that -- do you feel that they have a more flexible setup than we have a very negative outlook in the construction data now in Europe that it wouldn't be as badly hurt if you can more move production or one product another factory or a more flexible cost structure?

And one thing that relates to this is, then, these 500 people working in Narva, has the -- the utilization rates have been extremely bad there during the rebuilds and have you had extra costs from inefficient production at that site and it's all that big it can have some impact for the whole Group?

Mikael Makinen - Cargotec Corporation - President and CEO

Of course, we can answer the Narva question first without giving any figures. Of course, when you restructure a factory you don't have an efficient factory. That's a fact. So, yes, you have underutilization or not the correct utilization of the people there. But now we start to have the investment so more and more people are moved into productive work.

Then your first question, I forgot it already, it was --?

Tom Skogman - Handelsbanken - Analyst

On (inaudible - microphone inaccessible) in Europe.

Mikael Makinen - Cargotec Corporation - President and CEO

In Europe, yes. So you -- I assume that you are talking about Hiab? In Europe -- if there would be a real downturn in Europe, yes, it would be more flexible than in the U.S., yes. But of course, on the other hand, you have to remember that we are talking about our main factories being in Europe. And you are talking about Northern Europe -- sorry, I mean from one side they are more flexible but from the other side to lay off people is much more complicated in Europe.

Unidentified Company Representative

And, in fact, our big share goes to the construction market in Europe of the Hiab sales.

Mikael Makinen - Cargotec Corporation - President and CEO

The good thing in Europe is that it's much less dependent on construction than the U.S. market was. Have we given out the figure but --? We have not, but -- so, U.S., remember that 5% of the trucks were related to construction and 15% in Europe. So maybe 5% is that, so if you extrapolate from there then.

Jul. 17. 2008 / 7:00AM, CGCBV.HE - Q2 2008 Cargotec Corporation Conference Call

Lauri Saarela - *Landsbanki - Analyst*

It's Lauri Sarrela, again. Looking back at the history of Hiab and Kalmar, in 2002 when the market went really bad you had an margin -- EBIT margin, or EBITDA, of 3.4%. What is different now in terms of your own operations, in terms of competitive situation in terms of market?

Mikael Makinen - *Cargotec Corporation - President and CEO*

First of all, it's not as bad as it was right now, so that's a starting point. But if you look at -- there is, of course, a huge, huge difference in how we structure the Company. And that's why we are speeding up the On the Move also, to have a totally different setup if that would happen. If it doesn't happen, then we use it for growth. So you have a -- I don't think you -- maybe it's difficult.

Kari, do you have a better answer, keeping in mind that I have been here only two years. You saw 2002? You -- mic. I think, anyway, if you could please take the geographical split of sales, that tells something so --

Kari Heinisto - *Cargotec Corporation - Deputy CEO*

Yes, so the strong growth in Asia has been a new component compared to 2002/2003 situation, which is a difference. Second thing is that there was a list of production moves in execution that helps also in the downturn. And especially looking at the Kalmar situation, a lot of Kalmar production base has already been moved, which makes that adoption much, much easier when we talk about Asian factories. Also the U.S.-owned part of Kalmar production has grown very strongly.

Tom Skogman - *Handelsbanken - Analyst*

Could I have a follow up on that one? I suppose that also your competitors have done something during the past five years. Compared to the marketplace, do you see [yourselves better] positioned than your competitors compared to now versus 2002?

Mikael Makinen - *Cargotec Corporation - President and CEO*

Maybe not 2002, but if you go, for example, five years, five -- compared to five years back and now there is a big difference. But we didn't talk again about Hiab. So our main competitor, Palfinger, they did this move much, much earlier than we. That's a fact. So from that point of view we should be much, much better positioned.

Kalmar, as Kari already said, a lot of production has been moved to locations -- lower cost locations. MacGREGOR at that time made -- didn't make any result. It was not part of this Group. But it didn't make any result in those days. They had -- at that time they still had a lot of in-house manufacturing in basic steel welding which we don't have any more. We have only the complicated offshore structures in-house.

Sanna Kaje - *Glitnir - Analyst*

Sanna Kaje, Glitnir. You repeated the sales guidance for 2008, despite the clearly weakened outlook for Hiab. Has something changed for -- to the positive for the other segments or how should we understand this?

Mikael Makinen - *Cargotec Corporation - President and CEO*

Partly, you have to remember that the outlook, when I said -- first of all, in our outlook for Hiab, yes, it is more challenging market. But look at the order intake during the last five months. There is still; it's not so that we stop tomorrow. There is a good order

Jul. 17. 2008 / 7:00AM, CGCBV.HE - Q2 2008 Cargotec Corporation Conference Call

book for three months. So we are talking about potentially lower than we saw before for the last three months' outlook for Hiab. That's point number one.

Point number two is that, of course, in project type of business we know much better what will be delivered in MacGREGOR and Kalmar during this year. So yes, of course, it has to be compensated somewhere which means these two other businesses.

Sanna Kaje - *Glitnir - Analyst*

Okay, thanks. Another follow up. Is there -- is the increase in net working capital there to stay, or were there some extraordinary items in the end of June figure?

Mikael Makinen - *Cargotec Corporation - President and CEO*

Eeva?

Eeva Makela - *Cargotec Corporation - CFO*

Yes. The net working capital certainly was relatively high end of June. It is a reflection specifically in Kalmar and the parts of MacGREGOR which we have in-house of the upcoming expected high delivery levels in the second half. So we have been building on equipment that is half made and components obviously as well, as we state in the report. The challenges in the component situation has made us to increase so-called extra buffer stocks for certain key components in order to secure deliveries, and that applies to all three business areas.

So in a way we certainly hope that, as we get deliveries out, we will somewhat come back. But before the component market changes to a lot better, unfortunately, this will be difficult to get to a very good level on that as it looks now.

Unidentified Audience Member

(inaudible). Again, coming back to Kalmar, do you see there is a real risk of container terminal capacity expansion project cancellations or, at least postponements, if and when the global container volume growth slows down?

Mikael Makinen - *Cargotec Corporation - President and CEO*

Cancellations, no. Of course, if it slows down then those, what we call projects that they're in a pipeline, they will just be postponed and postponed and postponed, but I wouldn't say cancellations.

And one thing which is very strange for us that last week [AP Miller] ordered 13 huge container ships. So do they expect a slowdown in the market? I don't know. So, no, no, I don't think there will be cancellations. But, of course, if the whole market slows down then it slows down.

Unidentified Audience Member

But you have -- not at least so far you have seen project postponements, am I right?

Jul. 17. 2008 / 7:00AM, CGCBV.HE - Q2 2008 Cargotec Corporation Conference Call

Mikael Makinen - Cargotec Corporation - President and CEO

Project postpone -- not postponement, but these projects are very complicated because, as I said after last quarter, they have environmental approval. All this takes time. So it's very difficult for us to know that when the decision period gets longer and longer, is it because of approvals or is it because of the operator starting to hesitate about the market.

Sasu Ristimaki - SEB - Analyst

Okay. It's Sasu Ristimaki from SEB. Yes, the -- firstly, checking up on -- what's your CapEx guidance or CapEx expectation for the year, both in terms of fixed asset CapEx and acquisitions?

But then, on a more general note, you keep talking about if the market slows down, which obviously you're not really seeing at the moment. What happens if the market slows down by 10% in terms of Kalmar and Hiab deliveries? How much do we expect to see your profitability levels versus the first [business]?

Mikael Makinen - Cargotec Corporation - President and CEO

Okay. CapEx, Eeva?

Eeva Makela - Cargotec Corporation - CFO

Yes. The CapEx, as you saw from the slide Mikael presented on the bigger supply footprint, of close to EUR50m expected for this year. On top of that we have some additional maintenance CapEx in the other factories, but not to a big extent.

And then regarding the acquisitions, again, difficult to say depending on what acquisitions we close. You see from the report now everything that has been announced so far is. And as you see from the cash flow, it's about EUR40m for the acquisitions done so far. Again, as our CEO said, we expect to do less acquisitions than last year so -- but, as said, very difficult to estimate on that number.

Sasu Ristimaki - SEB - Analyst

How much do you expect to recover from the investment in customer receivables?

Eeva Makela - Cargotec Corporation - CFO

Our focus in the customer receivables is that we get -- they are made to, I guess, delivery and then they are paid as planned. And obviously, if not, then it is our job to have some extra efforts to collect them.

Mikael Makinen - Cargotec Corporation - President and CEO

Yes. Okay. Of course, we are collecting all the receivables. And when we track them, there is not, in that kind of trend, that it should happen. But -- so I don't see that as a big thing.

If the market would go -- why do I say if? If we would look at -- I might be more positive after that when we look at only Cargotec. But when you read whatever newspaper, everybody's talking about the market going down so, of course, we have to -- we have to be prepared for that. And, as I said, we see it already in Hiab that it's more uncertainty in the market.

Jul. 17. 2008 / 7:00AM, CGCBV.HE - Q2 2008 Cargotec Corporation Conference Call

If the market will go down, no big impact this year on MacGREGOR, some small impact on Kalmar and, of course, a bigger impact on Hiab. But the uncertainty in Hiab we have already included in our guidance. So we have, from that point of view, tried to be cautious.

Johan Lindh - *Kaupthing Bank - Analyst*

Johan Lindh, Kaupthing Bank. You said that you -- there is some uncertainty in the market with regards to the volumes -- delivery volumes for Hiab in the last quarter. That we all know because the order book is only stretching three months from now. Can you say something about the costs in -- specifically in Hiab? Do you know the costs for the fourth quarter? I assume you have good understanding of the cost situation for Hiab's deliveries for the third quarter. But is that something that you need to discuss with your suppliers during the next few months?

Mikael Makinen - *Cargotec Corporation - President and CEO*

It's a bit more complicated because you have so many contracts. Some of them have to be renegotiate now, some after half a year and so on.

Johan Lindh - *Kaupthing Bank - Analyst*

Can I say then -- put the question like this, that has the cost increased in the second quarter significantly already? Or will -- do you know that the costs will increase in the third quarter significantly?

Mikael Makinen - *Cargotec Corporation - President and CEO*

Yes. They are -- they are still increasing. There is a mismatch of what the market can take and how the component prices are increase. There is -- that's why we put it up here. It's a challenging -- it's a more challenging equation than one quarter ago. Maybe that's the way I can answer it.

Johan Lindh - *Kaupthing Bank - Analyst*

So the cost situation, that refers -- you don't have a volume risk for the third quarter, but you have a cost risk for the third quarter and the fourth quarter. Can we put it that way?

Mikael Makinen - *Cargotec Corporation - President and CEO*

No, no. No, we don't have a cost risk for the third quarter because that's already in the order book and the components are there. And for the fourth quarter, when you start to sell it, of course, you are tracking to see where the contracts are, you have to increase the prices. What can you do? But if you look at the situation one year ago, nobody was really worried about it because you were able to pass on that price increase to the end customer. That's why I say that the market is much more challenging today.

Johan Lindh - *Kaupthing Bank - Analyst*

Thank you. Perhaps, I can continue. You were underlining the risk with Hiab's European business. If I understood correctly, you don't want to state the size of that business, or how much that business has grown during this upturn, or give any indication of the downside risk here?

Jul. 17. 2008 / 7:00AM, CGCBV.HE - Q2 2008 Cargotec Corporation Conference Call

Mikael Makinen - *Cargotec Corporation - President and CEO*

No, no. Because we have to remember, again, that of course the business is not completely zero in Americas. And then, Hiab has also been having a very good growth in Asia.

Johan Lindh - *Kaupthing Bank - Analyst*

Last question. The sales growth, how much is coming from acquisitions and how much is the rest? You -- sometimes you tell us that number. Thank you.

Mikael Makinen - *Cargotec Corporation - President and CEO*

We said that for the first half year, 13% growth in sales, so it's 9% -- or 4% so -- that figure is -- could be very much in line with the full year. 9% organic and 4% acquisitions.

Jari Harjunpaa - *Evli Bank - Analyst*

Jari Harjunpaa, Evli Bank. Could you give some kind of feeling about the fixed assets, or how much of each of these business units are actually consuming the fixed assets, to get some kind of idea of operational leverage between the business units?

Eeva Makela - *Cargotec Corporation - CFO*

Probably the best indication you get is from the notes of our annual report, where we have it annually. But to answer shortly here, MacGREGOR least obviously because, on the fixed asset side, we mainly only have the offshore assets. Kalmar, being the biggest business area, has a global setup so has considerable fixed assets, and same applies to Hiab. But I don't have the numbers now in my head, but in the notes side they are. Please refer to them.

Jari Harjunpaa - *Evli Bank - Analyst*

Then, another question. Now, if we are looking at this plan to improve the global footprint, so what type of cost savings in -- you are expecting from basically those moves only?

Mikael Makinen - *Cargotec Corporation - President and CEO*

We have said that the whole On the Move program will have an impact of 80m to 100m. Part of it comes from this, part of it comes from other On the Move actually. But we have not said which year they will come. Some of them will come next year, some of them will come year 2011.

Jari Harjunpaa - *Evli Bank - Analyst*

But it is not only these ones. This is just a part of the 80m to 100m what you are trying to reach with these now done operations or what you have actually [said here]?

Mikael Makinen - *Cargotec Corporation - President and CEO*

Yes. As I said, we are looking at more ways of having a more efficient global footprint.

Jul. 17. 2008 / 7:00AM, CGCBV.HE - Q2 2008 Cargotec Corporation Conference Call

Jari Harjunpaa - *Evli Bank - Analyst*

Okay. Thank you.

Lauri Saarela - *Landsbanki - Analyst*

Yes, it's Lauri Saarela. Just to clarify on this slide you have up here, could you please elaborate on this timetable of each of these investments, or the major investments mainly? Are they already done, or what is the status of this?

Mikael Makinen - *Cargotec Corporation - President and CEO*

Shanghai, first one, land reserves, building construction about to start, so the initial phase. Tianjin, new facility in operation. First equipment already come out of that. Singapore has already taken over production of some Norwegian equipment. Maybe not delivered yet, but the first assemblies are there already. Korea, initial stage. Malaysia, initial stage, preparing the expansion plan. Narva, first bit done, now the steering up for the second step started. Texas U.S., I think there is only land today.

But remember that our assembly -- the interesting thing is, of course, the EUR40m or EUR65m it depends on how you calculate, you get an output of EUR500m. So our investments are not based on this or anything like that.

Eeva Makela - *Cargotec Corporation - CFO*

Okay. I think we'll move on to the questions on the conference call lines. Operator, please.

Operator

(OPERATOR INSTRUCTIONS). We have a question on the line from Anna Patrice from Berenberg Bank. Go ahead, please.

Anna Patrice - *Berenberg Bank - Analyst*

Yes. Good afternoon, ladies and gentlemen. Thank you very much for the presentation. My name is Anna Patrice. I work at Berenberg Bank. Could you -- you gave the numbers for organic growth for the full Company. Could you also please give the organic growth for Hiab in the first half of the year and also, if possible, in the second quarter of this year?

And then I have other two questions, but maybe we can start with this one first.

Mikael Makinen - *Cargotec Corporation - President and CEO*

We have not, as far as I remember, differentiated between the different businesses. So that's what you have to live with is the 9% and plus 4% for the whole Group.

Anna Patrice - *Berenberg Bank - Analyst*

Okay, understood, because I saw in your report how much of new business you acquired. So would it make -- would it be, in your view, accordingly to assume that round about [EUR60m] out of the gross sales of Hiab this quarter came from the acquisitions?

Jul. 17. 2008 / 7:00AM, CGCBV.HE - Q2 2008 Cargotec Corporation Conference Call

Kari Heinisto - Cargotec Corporation - Deputy CEO

I cannot hear.

Mikael Makinen - Cargotec Corporation - President and CEO

Sorry, can you repeat the question?

Anna Patrice - Berenberg Bank - Analyst

Yes. Okay. So you mentioned how many companies you acquired, and you gave also the sales volumes of the acquired companies for Hiab. So will it be reasonable to assume that around about EUR60m of sales comes from Hiab from the external growth?

Mikael Makinen - Cargotec Corporation - President and CEO

Yes, that's actually -- yes, you have to estimate that.

Anna Patrice - Berenberg Bank - Analyst

But it's reasonable.

Mikael Makinen - Cargotec Corporation - President and CEO

Yes.

Anna Patrice - Berenberg Bank - Analyst

Okay. And then, another question. Basically all the truck manufacturers, they say that the truck market is pretty good this year, but they expect weaker market in 2009. How it will affect Hiab?

And another question is the current development in Western Europe, you say that some countries in Western Europe are not so good. So maybe you can specify which countries are not so good, and also what is -- how is -- Germany is developing.

And then the last question will be on the customer side. Do you see any product mix that is now worsening? And do you see that customers have some problems to finance their -- just to finance themselves? Thank you.

Mikael Makinen - Cargotec Corporation - President and CEO

Okay. The truck -- if you look at the European truck manufacturers, yes, but you have to remember that this is a combination, as I said, about in U.S., about construction and truck manufacturing. In Europe, it's many, many segments so we cannot say that it's one to one following the truck manufacturing, or truck registration.

Customers know -- we see there might be some customers who, in especially Hiab small customers, who are hesitate -- very hesitant today because can they order a new truck? Can they order a new crane? What is happening in the market? But customers not being able to pay, no, that we have not seen.

What was the third question? It was related to --?

Jul. 17. 2008 / 7:00AM, CGCBV.HE - Q2 2008 Cargotec Corporation Conference Call

Anna Patrice - *Berenberg Bank - Analyst*

The question was regarding --

Mikael Makinen - *Cargotec Corporation - President and CEO*

And the European development. As we have said in the text here, it's the Southern Europe, Spain, Italy where we see weakening markets. Fairly good in Central and Northern Europe.

Anna Patrice - *Berenberg Bank - Analyst*

And the Western Europe, like Germany, for example.

Mikael Makinen - *Cargotec Corporation - President and CEO*

That's what we call Central Europe, so Central is the whole area, including East.

Anna Patrice - *Berenberg Bank - Analyst*

Okay, because you also mentioned in the report that the West of Europe is not -- not so good, so I was wondering what is the other Western European countries.

Mikael Makinen - *Cargotec Corporation - President and CEO*

Okay, let me check.

Eeva Makela - *Cargotec Corporation - CFO*

That's referring to, for instance, U.K. and Ireland.

Mikael Makinen - *Cargotec Corporation - President and CEO*

Yes.

Anna Patrice - *Berenberg Bank - Analyst*

Okay, understood. Okay, so then it will be reasonable to assume that main problems are coming from the U.S. and from Spain and Italy, and that other Europe and Asia is continuing pretty well. So basically if we didn't have that logics problem, the U.S. market especially would be better?

Mikael Makinen - *Cargotec Corporation - President and CEO*

No, I wouldn't say that. Then we would be a smaller Company if we were not so smart. It's -- U.S. down, Southern Europe weak, some flattening out in Western Europe, the rest of Europe good.

Jul. 17. 2008 / 7:00AM, CGCBV.HE - Q2 2008 Cargotec Corporation Conference Call

Anna Patrice - *Berenberg Bank - Analyst*

Okay.

Mikael Makinen - *Cargotec Corporation - President and CEO*

Of course, if you are -- if we were still only in Sweden and Finland that would be fine, but then we would be a Company of -- a considerably smaller Company.

Anna Patrice - *Berenberg Bank - Analyst*

Okay. And then regarding the customers, they see a worsening product mix that the customers are trying to buy something cheaper. And do you see increasing competition also on the prices? Thank you.

Mikael Makinen - *Cargotec Corporation - President and CEO*

Maybe not buying cheaper. But, of course, if there is more capacity or, let's say, shorter delivery times at all our competitors' factories, then that is a challenge from pricing point of view. But I would not say that people are cautious and that's why -- for that reason moving into cheaper products, no.

Anna Patrice - *Berenberg Bank - Analyst*

Thank you very much. That's all from my side.

Mikael Makinen - *Cargotec Corporation - President and CEO*

Thanks.

Operator

The next question comes from the line of Bilquis Ahmed from JP Morgan. Go ahead, please.

Bilquis Ahmed - *JP Morgan - Analyst*

Good afternoon. I had a couple of questions on different parts of your presentation. The first is on the EUR10m that is going to be taken in 2008, has any of that been booked already in the first half? And also will that, to the best of your knowledge, cover all the expenses for On the Move program in the totality?

Mikael Makinen - *Cargotec Corporation - President and CEO*

Kari?

Kari Heinisto - *Cargotec Corporation - Deputy CEO*

Sorry, I had difficulties too.

Jul. 17. 2008 / 7:00AM, CGCBV.HE - Q2 2008 Cargotec Corporation Conference Call

Eeva Makela - Cargotec Corporation - CFO

Of the EUR10m, we say in the report that EUR3m has been booked in the first six months so you see that in the corporate admin row.

Bilquis Ahmed - JP Morgan - Analyst

And in terms of whether the EUR10m covers all of the expected centers.

Eeva Makela - Cargotec Corporation - CFO

Covers all the decisions made so far that are mentioned in the report.

Bilquis Ahmed - JP Morgan - Analyst

And then the other thing is that you implied that that the EUR10m charge is because the On the Move program is being accelerated. Does that mean that you are moving up the timetable of when the benefits will be reflected in the P&L?

Mikael Makinen - Cargotec Corporation - President and CEO

Kari?

Kari Heinisto - Cargotec Corporation - Deputy CEO

Yes. I don't think that that acceleration we talk about months in execution, and we talk about totally our three-years' program has had really a big impact. The question is how fast to start implementing those actions.

Bilquis Ahmed - JP Morgan - Analyst

And one of the things that was mentioned in terms of the upstream was about streamlining the support functions and so on. But if I look at the average number of employees, they seem to have gone up across the board, including in the corporate administration area. And I was just trying to understand where that streamline would be reflected.

Kari Heinisto - Cargotec Corporation - Deputy CEO

This is Kari Heinisto answering. When you look at the corporate administration number of people, so we have taken home from business areas [several of our] functions, and that is the basis to consolidate those functions and be more efficient.

Bilquis Ahmed - JP Morgan - Analyst

Okay. And then in terms of the supply footprint page, is the EUR500m 100% incremental the revenue value of the incremental capacity? Or is some of that in a way double-counted because you're moving some functions from Norway to Singapore and then Singapore to China and so on?

Jul. 17. 2008 / 7:00AM, CGCBV.HE - Q2 2008 Cargotec Corporation Conference Call

Kari Heinisto - *Cargotec Corporation - Deputy CEO*

This is Kari Heinisto again. This is -- the EUR500m is the capacity of those factories mentioned. Then, as our CEO mentioned, if the growth continues, this will be an additional capacity if we made the stronger decline in the market. So then, naturally, the adoption will be made from -- for us, from our point of view, most beneficial basis, which most probably are not these ones.

Bilquis Ahmed - *JP Morgan - Analyst*

Okay. And the last question is to your comment on in the short term you don't see any clouds in Kalmar and MacGREGOR. What period does the short term cover, as in over the next three to six months, do you think, or you think it's fairly --? You may have covered this earlier, but I just want to clarify.

Eeva Makela - *Cargotec Corporation - CFO*

Well, we are -- with the short term we are referring to what we see now and also then, obviously, the period we give guidance on. But, as you know, the market is quite volatile so it's difficult to say any specific period of weeks or months that it can hold, but based on what our understanding is now.

Bilquis Ahmed - *JP Morgan - Analyst*

Okay, thanks a lot.

Operator

The next question comes from the line of Johan Eliason from Cheuvreux. Go ahead, please.

Johan Eliason - *Cheuvreux - Analyst*

Yes, hello. I have just one question. I'm not quite sure I caught your answer the On the Move cost. These EUR10m you now talk about, is that the full expected cost for the EUR80m to EUR100m cost then effect in the future?

Kari Heinisto - *Cargotec Corporation - Deputy CEO*

This is Kari Heinisto. No, this is the share of the cost estimated from those actions we have decided for this year. Naturally, we talk about the production footprint changes when those things are executed, so we'll report on those issues if and when they are ready.

Johan Eliason - *Cheuvreux - Analyst*

Okay, perfect. And this globalization footprint, you talked about the investments, EUR60m to EUR65m '08/'09. What is the impact on margins near term and going forward, i.e., will be some pressure on the margins in the near term? Will it allow you to expand the margins when every capacity area is up and running?

Mikael Makinen - *Cargotec Corporation - President and CEO*

Kari, if you want to --?

Jul. 17. 2008 / 7:00AM, CGCBV.HE - Q2 2008 Cargotec Corporation Conference Call

Kari Heinisto - Cargotec Corporation - Deputy CEO

This is Kari Heinisto again. I think we need to take those two things completely different, what we talk about our pricing power and the market behavior. So that is happening on the sales side. And on these investments we only talk about reducing our product cost and increasing our flexibility and sourcing base. So, unfortunately, we cannot say today that all the benefit is coming down to the last [call] in the future. Maybe, maybe not, depending on how we can do the pricing.

Johan Eliason - Cheuvreux - Analyst

Yes. That's absolutely correct. I was more wondering if, as we highlighted in the Narva case where probably the staff was underutilized in the near term during the refurbishment, the refocus of that manufacturing unit. Will there be a margin pressure from all of these actions now in '08, beginning of '09, or is it sizeable?

Kari Heinisto - Cargotec Corporation - Deputy CEO

I think those are very different cases. This is Kari Heinisto continuing. The Shanghai, China, is actually an expansion of already existing Kalmar product plant, not obvious to have a significant downward pressure. Tianjin, China, new factory already in operation, so no such effect. Singapore has -- is an offshore production capacity increase moving -- adding capacity and moving products from Norway to Singapore.

Korea, not really either. Malaysia is an existing site. Narva is a different case because we took over a site with other production in it and changed it, so it is clearly negative contribution for margins, as for now being and when it's in operations, so the effect will be big.

Johan Eliason - Cheuvreux - Analyst

Okay. And then just on the way you calculate your organic growth, you say first half 13% growth, 4% acquisition, 9% organic. Where do you see -- taking away the currency effects I would assume which should be fairly sizeable right now, where would you put that one? In the organics component or --?

Eeva Makela - Cargotec Corporation - CFO

I would divide the 13% in the two groups is that we are -- we look at the acquired business entities as such, including obviously any currency impact in those. But then the currency impacts in the existing business goes then to the organic side. So it shouldn't change the numbers to a -- into a big extent in whatever way you want to take the currency, as such.

Johan Eliason - Cheuvreux - Analyst

Okay. But it's only going to make the [technical] value when you've done your acquisitions obviously. Then finally, just on Hiab here, and you talk about it's more difficult in terms of offsetting the increases in the raw material costs. Are you actively being cautious on the pricing for your Hiab products in Europe currently in order to preserve volumes, or what's the key priority for you, the current price levels or offsetting the increases or keeping the volumes as high as possible?

Mikael Makinen - Cargotec Corporation - President and CEO

You can actually do it two ways. Either you keep the volume and get the benefit that way. And -- or then you are carefully analyzing the [price] so they more or less analyzing the orders. And our key priority right now is the profitability if you would

Jul. 17. 2008 / 7:00AM, CGCBV.HE - Q2 2008 Cargotec Corporation Conference Call

put it in between these two. If you have to choose between these two, then it's profitability. But, at the same time, as the market leader, it's not nice if you don't grow. But if you have the [month] question, then it's profitability, and that's why we have the global footprint as well here.

I would like to say one more thing about Narva in Estonia. Yes, it has a negative impact but, yes, it's included in our estimate for the year. So it's not that kind of a -- not something outside that.

Johan Eliason - *Cheuvreux - Analyst*

Yes, okay. Thank you.

Operator

The next question comes from the line of Sebastian Ubert from UBS. Go ahead, please.

Sebastian Ubert - *UBS - Analyst*

Ladies and gentlemen, this is Sebastian Ubert from UBS. I've got a few questions regarding your globalization of the supply footprint. Can you elaborate a bit on the split, so what is roughly the revenue contribution from each of these investments?

And then maybe once again on the U.S. dollar, could you give us an idea how much on your top line and your EBIT line was affected during the first half, and how dollar sensitive your business is?

And then last, not least, with regards to the European business, Hiab, do you see increasing competition from your biggest competitor Palfinger, especially in the Eastern European market? Many thanks.

Mikael Makinen - *Cargotec Corporation - President and CEO*

Okay. Let's start with, Kari, On the Move. Do you want to say something about the contribution from the different --?

Kari Heinisto - *Cargotec Corporation - Deputy CEO*

No, I don't think we are specifying any of these factory investment exposure now.

Mikael Makinen - *Cargotec Corporation - President and CEO*

Then your question about Europe, increased competition from Palfinger, yes, it is our main competitor in Europe. So that's where we are. I don't see it changing very much, or has changed very much.

Your last question was about U.S. dollar. Okay, do you want to say? I have my standard answer about the dollar but, Eeva, if you want to?

Eeva Makela - *Cargotec Corporation - CFO*

Yes, your question on the dollar. Obviously that with today's rate, it has an impact. But, as we tried to say, in Hiab the biggest impact is the lack of volume in the business, not really the currency. As we see from also the supply footprint list, new investment into U.S. obviously The Americas Continent is then the area to look into as we have the balance between the currencies. And

Jul. 17. 2008 / 7:00AM, CGCBV.HE - Q2 2008 Cargotec Corporation Conference Call

parts of Asia can help on that. That's the only one-way trend in the short term. We -- really, with the currencies, we have and I think the numbers show we live with them relatively well.

Sebastian Ubert - UBS - Analyst

Okay, many thanks. Maybe one follow up to On the Move program as it has been tightened, the schedule. Could you give us an idea of how much contribution we might see in 2009, 2010 and then 2011 of this EUR80m to EUR100m?

Mikael Makinen - Cargotec Corporation - President and CEO

We have not given out that number. I don't expect significant there impact on 2009 total, considering that the program was continuous with the cost side. So 2009 will not be a big difference.

Sebastian Ubert - UBS - Analyst

Okay, many thanks.

Operator

The next question comes from the line of Miikka Kinnunen from Carnegie. Go ahead, please.

Miikka Kinnunen - Carnegie - Analyst

Hello, it's Miikka here from Carnegie. Two questions. Can you please just clarify a bit the expected order intake in Hiab and Kalmar? So is my interpretation correct that with those works you basically expect Hiab's order intake to decline year over year in the second half, whereas, in Kalmar do you see it realistic that the order intake would increase from last year's levels in the second half of the year?

And then another question, perhaps, after this.

Mikael Makinen - Cargotec Corporation - President and CEO

Okay. So the order intake, what we have said in the outlook is that the Kalmar and MacGREGOR, we see the market to be very, very buoyant still. Whether it will be above or just below last year is too early to say after six months, but the estimate is that we haven't seen big changes in those markets.

For Hiab, will it be considerably lower? I don't know. There is uncertainty in the market. So maybe that --

Miikka Kinnunen - Carnegie - Analyst

All right. But even in Hiab you're not willing to really directly instruct for a slower order intake. It still remains to be seen or --?

Mikael Makinen - Cargotec Corporation - President and CEO

You have to look at the order intake for that last two quarters. We are cautious about it, but it hasn't been that bad. But the market is a bit uncertain in the Hiab market.

Jul. 17. 2008 / 7:00AM, CGCBV.HE - Q2 2008 Cargotec Corporation Conference Call

Miikka Kinnunen - *Carnegie - Analyst*

All right.

Mikael Makinen - *Cargotec Corporation - President and CEO*

It's difficult to say.

Miikka Kinnunen - *Carnegie - Analyst*

Okay. Then just the other question regarding the pricing situation, when you're referring of the increasing difficulties to pass on the raw material costs. Are you now talking about challenges in Hiab, or do you feel similar pressure to protect your margins in Kalmar and MacGREGOR?

Mikael Makinen - *Cargotec Corporation - President and CEO*

It's mainly a Hiab question.

Miikka Kinnunen - *Carnegie - Analyst*

What about -- can you say something about Kalmar and MacGREGOR? Is there any change [to worse]?

Mikael Makinen - *Cargotec Corporation - President and CEO*

In MacGREGOR, very little, because you have to remember the big volume is related to steel and the shipyard. It's based on the steel clause. So it is not really -- I wouldn't say that anything has happened there. The shipyards are clever enough to sell the ships, taking into consideration the steel prices and then they pass it on to us. So, MacGREGOR, no.

Kalmar, we are selling more and more solutions and then it's easier to price them a bit different than base products. And, of course, because they are mainly projects, we are very cautious about the costs going into those projects. So it's mainly a Hiab problem.

Sebastian Ubert - *UBS - Analyst*

Okay, thank you very much.

Operator

We have no questions at the moment. (OPERATOR INSTRUCTIONS). We have a question from Teea Reijonen from [SPN]. Go ahead.

Teea Reijonen - *Standard and Poor's Equity Research - Analyst*

Hi, this is Teea from Standard & Poor's Equity Research. Just regarding the tax rate, effective tax rate seems to have been 31.8% for the second quarter. Are you expecting still the tax rate overall for the year to be around 30%. And also net financial items had increased on the first quarter, as had depreciation. Any comment on those?

Jul. 17. 2008 / 7:00AM, CGCBV.HE - Q2 2008 Cargotec Corporation Conference Call

Mikael Makinen - Cargotec Corporation - President and CEO

Eeva, can you answer it?

Eeva Makela - Cargotec Corporation - CFO

Yes. On the tax rate, I think if you look at the six-months' number it's perhaps a bit more relevant. The quarters are not -- one shouldn't draw to long-term conclusions based on just one quarter. So I think we're overall in line with the -- as with the previous guidance.

Then on the net financials, nothing special there, but it's -- I would say, it's normal variance in that number, as such.

And, sorry, you asked -- then depreciation was the final one. There, I think it's just good to note that as we have this global supply and we add capacity, you should take into consideration some additional depreciation related to that new fixed asset but, other than that, nothing special there.

Teea Reijonen - Standard and Poor's Equity Research - Analyst

Okay, so mostly quarterly variations. Thanks.

Operator

There are no further questions coming from the phone lines, so I'll hand you back over to Eeva Makela.

Eeva Makela - Cargotec Corporation - CFO

Okay. Thank you, operator. Are there any follow ups here in Helsinki? If not, thank you all for listening today and have a nice continuation for the summer.

Operator

Thank you for attending today's conference. You may now replace your handsets.

DISCLAIMER

Thomson Financial reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON FINANCIAL OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2008, Thomson Financial. All Rights Reserved.