we keep cargo on the move™

ANNUAL REPORT 2008

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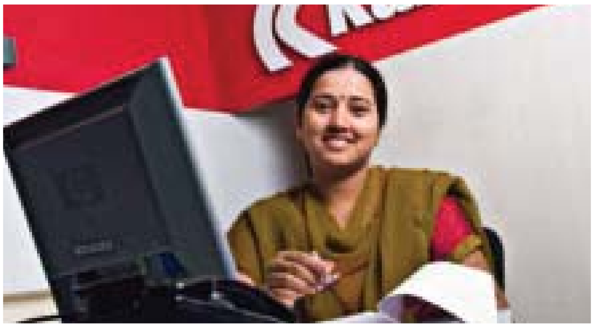
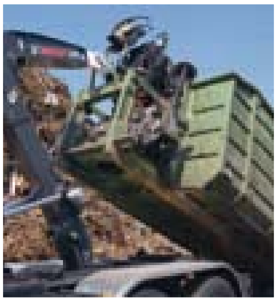


Cargotec, the global market leader in cargo handling, provides technologically leading solutions close to customers.

GLOBALLY SERVING MARKET LEADER ▶


Loader cranes


Demountables


Tail lifts


Truck-mounted forklifts


Forestry and recycling cranes

Terminal tractors


Forklift trucks


Log stackers


Deck cranes


Hatch covers

Cargotec's Operating Environment

Cargotec's cargo handling solutions include on-road load handling equipment, container handling equipment, heavy industrial material handling equipment, marine cargo flow and offshore solutions and comprehensive services close to customers.

Cargotec's product development focuses on efficiency and environmental considerations. Products are developed in collaboration with customers based on their needs.

Cargotec employs close to 12,000 people in over 40 countries and had sales of EUR 3.4 billion in 2008. The Company's shares are quoted on the NASDAQ OMX Helsinki.

Customers and Manufacturing

Cargotec's key customer groups include ship owners ship and port operators, ship yards, distribution centres, fleet operators, logistics companies and truck owner-operators as well as the defence forces of various countries. Other major customers include heavy industry, terminals and municipalities. Cargotec serves its customers globally, either through its own sales companies or distributors. Its production units are located in Finland, Sweden, Norway, Estonia, Poland, the Netherlands, Ireland, Spain, the United States, China, India, Korea, Malaysia and Singapore. Part of its manufacturing has been outsourced to partner plants that are located mainly in Asia.

Demand for Equipment and Services

Demand for Cargotec's products and services is based on increasing world trade as well as the needs of land and sea transportation. The needs of heavy industrial material handling in, for example, wood processing and at sawmills are reflected in Cargotec's demand. Increasing volumes in sea transportation boost demand for MacGREGOR's equipment while the increasing usage


Ship-to-shore cranes

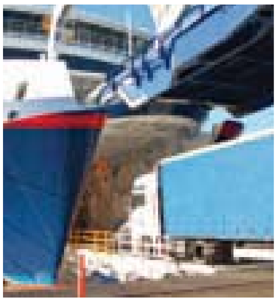

Yard cranes


Straddle carriers


Shuttle carriers


Reachstackers


Lashing systems


RoRo equipment


Mooring systems


Bulk handling solutions


Offshore solutions

"Cargotec's versatile service offering and global network guarantee the availability of services close to customers, including equipment maintenance and modernisation projects and the supply of spare parts.

of containers in goods transportation boosts demand for Kalmar's container handling equipment in ports. Demand for Hiab's load handling equipment goes hand in hand with activity in land transportation and the building sector as well as new truck registrations. Furthermore, increasing waste processing efficiency increases demand for Hiab's solutions.

Customers are increasingly outsourcing their equipment maintenance activities in order to obtain expert services that ensure uninterrupted operations. Furthermore, growing costs are increasing the efficiency requirements placed on cargo handling. Cargotec's versatile services and global network guarantee the availability of services close to customers, including equipment maintenance and modernisation projects and the supply of spare parts. ■

Cargotec in Brief

Cargotec improves the efficiency of cargo flows and offers ways of enhancing the productivity of its customers' operations. We keep our customers' cargoes on the move using the broadest selection of cargo handling solutions and services available, which are provided close to our customers.

Our world-leading cargo handling brands, Hiab, Kalmar and MacGREGOR, offer solutions for the load handling of vehicles, container and heavy material handling, marine cargo flows and offshore operations.

In technological development, we take our customers' business needs into consideration and invest in environmentally friendly innovations.

CEO's Message

A Year of Challenges and Adjustments

Dear Reader

Cargotec's operating environment changed drastically during 2008. The first months were times of high demand and strong order intake. The markets for container handling equipment and marine cargo flow systems as well as for offshore solutions were strong. We were also able to improve our market position in several areas. We started the year with an exceptionally long order book especially for MacGREGOR and were able to also close the year with an order book that extends a few years ahead. The need for increased efficiency in container ports around the world calls for energy efficiency and automation. At Kalmar our investments and efforts in developing new generation, energy efficient solutions resulted in the launch of the Pro Future™ concept.

The last three months were plagued by the impacts of the global financial crisis, affecting also the demand for Cargotec's offering. The year 2008 for Hiab, despite the increased presence in Asia and the success in the Chinese market for waste handling equipment, proved to be a very challenging period due to the continued downturn in the U.S. construction industry which also spread to Europe. Despite the challenging market situation we achieved an annual sales growth of 13 percent in 2008. As a result of lower demand and profitability we were forced to take heavy measures with personnel impacts in Hiab and Kalmar during the last months of 2008. These measures mainly took place in Western Europe and North America to adjust capacity to the prevailing market situation. The development of profitability in 2008 was naturally a disappointment for us and improving the internal efficiency and ways of working will thus be the focus when adjusting to future changes in the operating environment.

On the Move Change Programme Launched to Accelerate Our Strategy Implementation

Cargotec's targets in the five-year strategic period of 2007–2011 remain unchanged. To support our strategic journey towards achieving the targets, we launched in January 2008 a global change programme called On the Move with three clearly defined targets to increase internal efficiency, enhance customer focus and facilitate growth. The programme, which continues for a number of years, included in the first phase a number of extensive projects including consolidation of IT, HR and Communications functions to corporate level; development of frontline activities towards our customers; creation of a new common supply strategy for Cargotec; and reorganisation of the company structure to new country organisations in several countries globally. To enhance customer focus Hiab, Kalmar and MacGREGOR changed their operative structure during the year.

Steady Growth of Service Business

The service market continued to be active and in 2008 we were able to reach a record high service sales of 871 million euros. Our large, global base of installed equipment together with the growing interest of reducing lifetime operating costs with proactive maintenance provided us excellent opportunities for continued growth in services. We have further developed the services business model and strategy which we launched already in 2007. The Cargotec Services organisation acts as an internal centre of expertise and concentrates through a matrix role on managing the development of Hiab, Kalmar and MacGREGOR's service activities as well as improving Cargotec's shared service elements in areas such as spare parts management, technician recruitment and training, service product and concept development, and mergers and acquisitions of service companies.

Cargotec's Development Continues

As we have now entered the third year of our five-year-strategic period our aim for 2009 is to raise our profitability towards our target levels. We have initiated many of the key internal activities already in 2008. We will continue to work on internal efficiency by further enhancing the One Company ways of working. With the common One Company approach we can also better support the sustainable development according to the UN Global Compact principles. The country re-organisation activities continue with a clearly set plan and by the end of 2009 a vast majority of our personnel will be working in consolidated country organisations. One of the main success factors will be the development of our supply to be closer to our markets as well as in lower cost environments. Better utilisation of the supply and sourcing synergy benefits and know-how of the common global supply organisation will also be an advantage. We will continue to develop the management and organisation model of the Company to further enhance the development of solutions and customer focus.

I would like to thank our customers and partners for their cooperation during these times of turbulence and uncertainty. I would also like to express my gratitude to all Cargotec employees. It has been a year of rapid changes caused by both the internal development initiatives and the changing market environment forcing us to make heavy adjustments. These measures were taken to ensure our future competitiveness. The year 2008 was a year of mixed news towards our shareholders and we will strive for improved performance as we enter 2009.

Mikael Mäkinen
President and CEO

In January 2008, we launched a global change programme called On the Move with three clearly defined targets to increase internal efficiency, enhance customer focus and facilitate growth.

Vision and Key Figures

Cargotec improves the efficiency of cargo flows by offering handling systems and related services for the loading and unloading of goods. Our closeness to customers, global network and market leader position enable us to proactively and innovatively address customers' needs.

we keep cargo on the move™

Cargotec's financial targets for the years 2007–2011

- Annual sales growth exceeding 10 percent (incl. acquisitions)
- Raising the operating income margin to 10 percent
- Gearing below 50 percent
- Dividend 30–50 percent of earnings per share

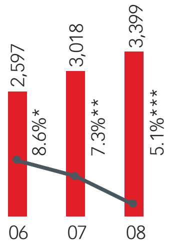
Cargotec, Key Figures

		Financial period 2008	Financial period 2007	Financial period 2006
Orders received	MEUR	3,769	4,106	2,910
Order book Dec 31	MEUR	3,054	2,865	1,621
Sales	MEUR	3,399	3,018	2,597
Operating profit from operations*	MEUR	173.7	221.1	222.6
Net income for the period	MEUR	120.8	138.4	166.1
Return on equity	%	13.7	15.6	20.2
Return on capital employed	%	12.7	16.8	23.1
Gearing	%	55.3	36.3	12.3

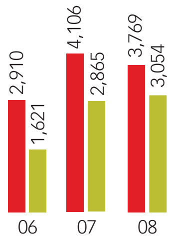
* Excluding non-recurring items, including restructuring costs

Cargotec 2008

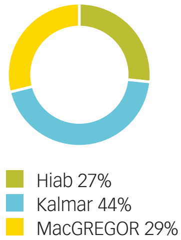
Sales (MEUR) and Operating Profit (%)



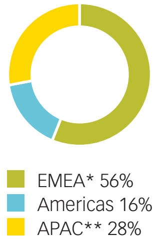
Orders Received
Order Book



Sales by Business Area



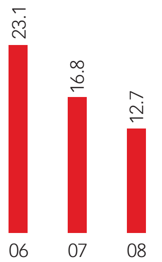
Sales by Market Area



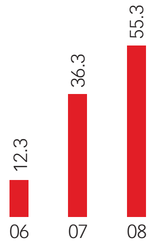
* Excluding gain on the sale of property
** Excluding container spreaders inspection and repair programme
*** Including restructuring costs 19 MEUR

* Europe, Middle East and Africa
** Asia Pacific

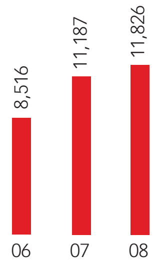
Return on Capital Employed (%)



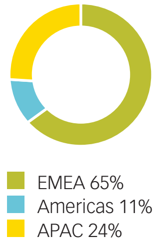
Gearing (%)



Number of Employees at the End of Period



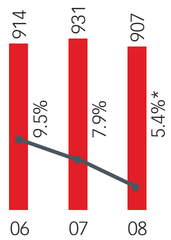
Employees by Market Area



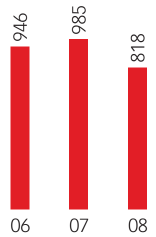
Load Handling

Hiab is the global market leader in on-road load handling solutions. The solutions are in use when goods are moved in local transportation, building industry, waste handling, recycling, agriculture and forestry, public services and in the defence forces.

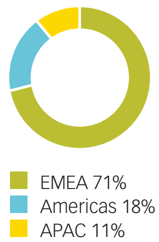
Sales (MEUR) and Operating Profit (%)



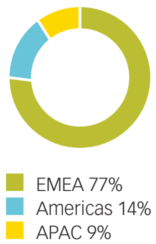
Orders Received (MEUR)



Sales by Market Area



Employees by Market Area

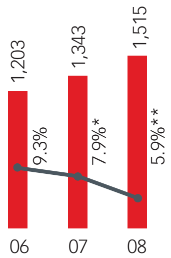


* Excluding restructuring costs

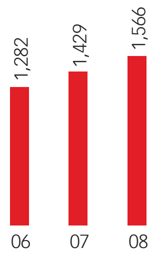
Container and Heavy Load Handling

Kalmar is a global provider of container and heavy duty materials handling equipment, automation applications and related services. The solutions are used in terminals, ports, heavy industry, the defence forces and distribution centres.

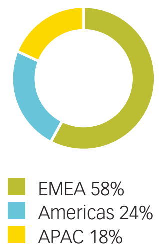
Sales (MEUR) and Operating Profit (%)



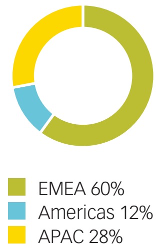
Orders Received (MEUR)



Sales by Market Area



Employees by Market Area

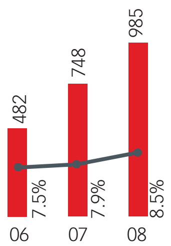


* Exluding container spreaders inspection and repair programme
** Excluding restructuring costs

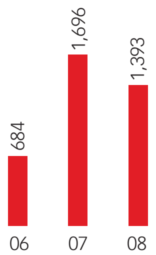
Marine Cargo Handling

MacGREGOR is a global provider of marine cargo flow and offshore solutions which are used in general cargo, bulk, container, RoRo and naval vessels as well as in bulk terminals and in offshore industry.

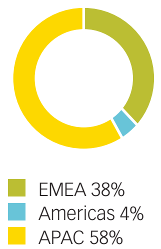
Sales (MEUR) and Operating Profit (%)



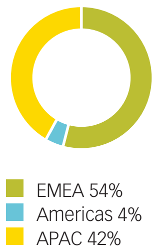
Orders Received (MEUR)



Sales by Market Area



Employees by Market Area



A Year of Rapid Changes

Strategy Implementation

Cargotec's strategy and strategic targets, confirmed in 2006 for a period of five years and reaching thus until 2011, are based on profitable growth in both developing and consolidating markets. An important goal is to build Cargotec a leading position in services.

In 2008, the focus has been on expanding the sales in the emerging markets and supporting service business growth. Strategy implementation actions aim for increased customer focus and improved internal efficiency by building a more integrated company. The growth of Cargotec's business kept well pace with the growth of the global material flow and demand on cargo handling capacity. The demand for more efficient and sustainable cargo handling solutions creates a favorable environment for Cargotec as the market leader in cargo handling. The strength of the company lies in the global presence throughout the chain of material flow in local transportation, distribution centres, terminals, ports, and ships.

Increased Customer Focus

Cargotec provides customers with solutions for efficient cargo loading and unloading throughout the lifetime of the equipment. Some of the cargo handling solutions offered include also third party equipment. Research

and development activities focus on automation, safety, security and increased energy efficiency. In product development projects the use of electric drives and hybrid technology has played a key role.

Within the internal change programme On the Move, which aims for efficient implementation of the strategy, Cargotec has initiated development projects aiming for increased customer focus and internal efficiency. In 2008 several actions were taken to increase the customer focus. Among those is the development of new business models which triggered changes in organisation structure in the business areas. During the year the expansion of the sales and service network continued both through integrating completed acquisitions and organic growth. Well-functioning Information Management tools are a necessity for supporting the growth of the business and therefore several development projects were initiated. For example, a corporate-wide project for frontline IT platform development was started during the year.

Internal Efficiency Through Tighter Integration and Economies of Scale

Internal efficiency has been further developed by consolidating the back-office functions in Information Management, Human Resources and Communications, and by developing common shared service centres taking care of financial and accounting tasks for the business units. Furthermore, consolidation of the legal structure by creating country organisations for Finland, Sweden and the United States, which together represent more than a third of Cargotec's personnel, has supported reaching the strategic target of a one company approach.

During the year and as a significant part of the On the Move programme Cargotec defined its global supply strategy. This resulted in a plan and specific actions, according to which the product supply will be strengthened in Asia, Americas and Eastern Europe to better meet the customer base development. All these above actions aim for reaching of the set profitability targets.

Finally, several corporate-wide activities in personnel and management development took place during the year. However, these activities were affected by the declined demand and consequential restructuring measures towards the end of the year.

Adjusting to the Changes in the Operating Environment

The economic downturn creates challenges for the business. The strategic actions and plans that have taken place during 2008 enable Cargotec to have a more flexible base for adjusting to the changes in the operating environment. Many of these actions were also accelerated. Despite the uncertain market situation Cargotec has been able to grow the business according to the set targets. The more challenging market environment underlines the need to focus on improving the long-term profitability and competitiveness of the business. ■

Magnus Pettersson works as a Product Development Manager in Hudiksvall, Sweden.

Cargotec is the market leader in its field. Its intensely growing service business is close to the everyday lives of customers.

BUSINESS OPERATIONS IN 2008 ▶

Load Handling

Cargotec's business area Hiab develops and provides customer-driven on-road load handling solutions and the related services. Hiab's products are utilised in moving goods and materials on the road, in construction sites, forests, industry, waste management, recycling and by the defence forces.

Hiab is the global market leader in developing and providing on-road load handling solutions. Thanks to customer-driven product and solution development, Hiab helps customers enhance their efficiency and productivity, and its versatile services ensure the safe functioning of equipment throughout its long life cycle.

Hiab has load handling equipment production units in eleven countries, and sales companies and representative offices throughout the world. Its comprehensive product range includes HIAB loader cranes, LOGLIFT and JONSERED forestry and recycling cranes, MULTILIFT demountable systems, ZEPRO, FOCOLIFT, AMA, DEL, ULTRON and WALTCO tail lifts and MOFFETT and PRINCETON PIGGY BACK® truck-mounted forklifts.

The year 2008: Global Business Even Closer to Customers

In the first half of the year, demand was favourable in Hiab's key market area, Europe, but due to the global financial crisis, and the intense slowdown in European construction markets, demand began to fall in the second half of the year. In the United States, demand remained low throughout the year.

However, with respect to solutions for the environmental and defence industries, demand for load handling equipment developed favourably all year. Hiab booked major orders for delivery e.g. to the United Kingdom's Ministry of Defence and the United States' Army. The service business and the related installation services grew significantly. Also, the Asia Pacific market area showed continuous business growth.

The load handling business expanded further on a global scale, partly as a consequence of acquisitions. The tail lift business grew via sales company acquisitions in Australia and New Zealand, and through the acquisitions of the UK-based DEL Equipment and US-based Ultron Lift, both manufacturers of tail lifts. Furthermore, Hiab acquired the majority of the business of Bowman Cranes, its South African partner, a cargo handling equipment supplier.

Hiab transformed its operations in order to enhance its customer orientation, with a particular focus on the environmental, defence and forestry customer segments, by developing new comprehensive solutions to meet these segments' needs. In crane product lines, synergy benefits were pursued through the integration of product lines in terms of product development, production and marketing.

Product development launched major projects, introducing solutions that will enhance the safety and efficiency of load handling, such as an automated load protection device and a crane solution that meets new EU regulations for passenger hoists. Investments in the development of more pro-environmental and efficient technology continued, and early in the year, Hiab opened a new state-of-the-art crane-testing centre in Hudiksvall, Sweden.

Hiab launched reorganisation and restructuring measures as a consequence of intensely declining demand. In order to adjust its production capacity, a plan was drawn up to decrease and consolidate crane manufacturing capacity. Moreover, the operations of several production units underwent adjustment measures in the United States and Europe.

Focus Areas in 2009

In the first part of 2009 the prospects for the load handling business are highly uncertain. The global financial crisis has considerably decreased the need for short haul distribution activity, particularly in construction. Economic developments in Europe and the United States are reflected in demand for Hiab's products. On the other hand, growth potential is projected for the load handling business in emerging markets in the Middle East and Africa, and the Asia Pacific market areas. The service business will undergo intense development, particularly as regards spare part deliveries, installation services and maintenance models, and through the strengthening of the organisation. Furthermore, a major focus will be placed on environmental and defence sector solutions, and business operations focussing on key customer segments will be further strengthened.

In product development, environmentally friendly and ecologically efficient solutions with lower fuel consumption will remain a focus area. The development of Hiab's production structure will continue as part of Cargotec's Supply strategy, which will react more nimbly to the change in the geographical focus of its customer base. ■

Container and Heavy Material Handling

Kalmar, Cargotec's business area for container and heavy material handling, automated applications and the related services, provides solutions for ports, terminals, distribution centres and heavy industry worldwide.

Kalmar is the market leader in container handling equipment in ports and terminals where containers are handled by ship-to-shore cranes, yard cranes, shuttle and straddle carriers, reachstackers and empty container handlers. Moreover, Kalmar's forklift trucks are used by heavy industry, its log stackers by the wood and paper industry, and its terminal tractors by distribution and logistics centres. Decades of experience in the special needs of customers and the life cycle of products has made Kalmar a forerunner in automation solutions for container handling in ports and the development of energy-efficient solutions. Kalmar has production plants in China, Finland, India, Malaysia, Sweden and the USA, and operations in more than 140 countries.

The year 2008: Continued Interest in Automation Solutions

Kalmar further strengthened its presence close to customers. Its global sales and service network grew via acquisitions, new sales and service offices were set up and its dealer network expanded. Container handling markets remained strong regardless of financial insecurity, except in the United States, where container traffic volumes declined due to the economic slowdown.

This was reflected in local customers' willingness to invest. In the wood and paper industry, demand for Kalmar equipment declined towards the end of the year.

The market share of Kalmar's yard cranes grew and orders were received e.g. from Vietnam, Thailand, India, Brazil, Columbia, Morocco and South Africa. The Shanghai assembly unit mainly managed deliveries to the Asian markets. Orders for reachstackers and terminal tractors were record-high, and the number of new major service agreements was higher than before. Kalmar was awarded a major new 5-year contract by the US Ministry of Defence to supply Rough Terrain Container Handlers (RTCH), and these machines will be produced in the newly constructed manufacturing facility in San Antonio, Texas.

Customers' intense interest in automation solutions continued. The many orders placed in 2008 include navigation, container position verification and remote monitoring systems developed by Kalmar. Alternative forms of energy, and the environmental impacts of equipment drew more interest than before, and Kalmar launched a new Pro Future™ concept for rating equipment on the basis of its environmental impact. During the year, several products complying with the latest environmental requirements were launched on the market, including a hybrid straddle carrier, a battery driven forklift truck, a compact forklift truck, a distribution tractor and an unmanned shuttle carrier, of which the hybrid straddle carrier and battery driven forklift truck were rated in accordance with the Pro Future™ concept.

In 2008, Kalmar introduced a specific operating model for major customers, enabling it to respond more rapidly to a changing operating environment and to enhance cooperation with, and customer service for, globally operating customers.

2008 saw investments in project activity expertise and development of operating methods due to defects detected in these fields. The new organisation and operating model creates the preconditions for profitable project operations and meets the productivity demands on investments set by major customers. At the end of the year, Kalmar adapted its operations in order to enhance its competitiveness in the more challenging market situation.

Focus Areas in 2009

Product development will implement a number of projects in response to growing requirements with respect to the environment, productivity and safety. Focus will be on winning new maintenance contracts and modernisation projects, while continuing the expansion of operations in Asia and emerging markets. In these markets product demand is expected to develop more positively than in Europe and the United States, where it is forecast that the impacts of the economic downturn will in the short term decrease the number of containers handled. The development of the global production structure will continue as part of Cargotec's Supply strategy. ■

Marine Cargo Handling

Cargotec's business area MacGREGOR provides cargo flow solutions for dry bulk carriers, container vessels, general cargo and RoRo ships, and offshore support vessels, as well as specialised cargo handling systems for tankers and transloaders. MacGREGOR also offers dry bulk handling solutions for ports and terminals.

MacGREGOR is the market leader in engineering and service solutions for the maritime transportation and offshore industries. Products include hatch covers, cranes, equipment for RoRo ships and ports, solutions for cargo lashing, ship-based and terminal-based bulk handling, offshore load handling and naval logistics. MacGREGOR also provides worldwide service and support. MacGREGOR operates in 50 major shipping and shipbuilding countries and its service network consists of approximately 60 service stations.

Year 2008: Record-high Order Intake

MacGREGOR's order intake was record-high, with deliveries booked up to 2012. During the first half of

the year, the shipbuilding market continued to be very lively and high oil prices boosted demand for offshore solutions. In particular, demand for cargo flow solutions for car carriers, bulk carriers and container vessels, as well as offshore cranes and winches, was lively.

In response to growing demand, a new winch factory was opened in China, and capacity in existing partnerships was increased for hatch cover and crane production. Moreover, MacGREGOR invested in its existing Singapore facility, to secure deliveries of large active heave-compensated cranes for the Asian market. New partnerships were formed in India and Vietnam.

The market for converting tankers into bulk carriers was booming during the first six months of the year, and a high number of hatch cover conversion orders were received. Furthermore, the market for service solutions and conversion and modernisation projects remained positive. MacGREGOR continued to develop its Onboard Care concept, which offers ship-owners tailor-made care packages.

The acquisition of an offshore service specialist company in the spring strengthened MacGREGOR's geographical presence in the important Americas and Gulf of Mexico area. In order to grow further and be close to its customers, business was also expanded into Brazil, India, Vietnam and Qatar.

To further improve customer focus and cooperation between divisions, MacGREGOR merged its RoRo, Dry Cargo and Crane divisions and the selfunloaders part of the Bulk Handling division into a new Merchant Ship Division.

Customers are showing an increased interest in environmentally friendly solutions. In 2008, the first environmentally friendly electrically driven products were delivered to end customers, for example hatch covers (E-roll). Also, electric cranes have been successfully tested onboard ships.

The financial turbulence caused a radical slowdown for new ship building orders towards the year end. During the second half of the year, freight rates plunged, especially for bulk and container freights, which, together with difficulties in arranging financing, led to cancellations at some shipyards. To better respond to rapid changes in the market, MacGREGOR increased its risk management activities significantly.

Focus Areas in 2009

Despite the uncertainty in the markets, MacGREGOR has a record high order book and will focus on ensuring timely delivery of its customers' orders. A special focus continues to be placed on proactive follow-up of the market situation and customer activity.

MacGREGOR continues to invest in R&D in order to maintain its leadership position. The year 2009 will be marked by a focus on organic growth through widening the existing product offering, the improvement of existing products, new product development, production capacity increases and a stronger global presence. ■

Services

Cargotec's service business continues to play a major role in the company's development and profitability. Located in all major service hubs worldwide, Cargotec is well-placed to maintain its own as well as other-branded equipment. Maximising machine uptime and improving the lifetime cost-efficiency of its customers' equipment remains Cargotec's top priority as the industry's leading solutions provider.

The Cargotec Services operating model was implemented in order to fast-track the company's growth in services. This approach has seen the efficient adoption of common internal processes and created a platform for developing the most innovative and market-driven solutions tailored to the cargo handling customers.

Year 2008: Service Offering Supplemented

In 2008, Cargotec's service business achieved the set growth targets and the importance of services as cyclical support for new equipment was further reinforced.

Cargotec reaffirmed its position as a dedicated service provider by citing numerous opportunities for quick and profitable service growth. Demand for spare parts grew as the company's installed base increased. To meet customers' availability requirements, Cargotec improved its material management systems and strengthened its network of strategically located parts warehouses.

Cargotec expanded its presence in key regions of the world to better serve growing markets and supplement its service offering. It reinforced its offshore division by acquiring a U.S. Gulf Coast-based service specialist. Other major acquisitions which brought Cargotec closer to its customers included service companies in Italy, Argentina, South Africa, and the establishment of its own sales and service location in Mexico.

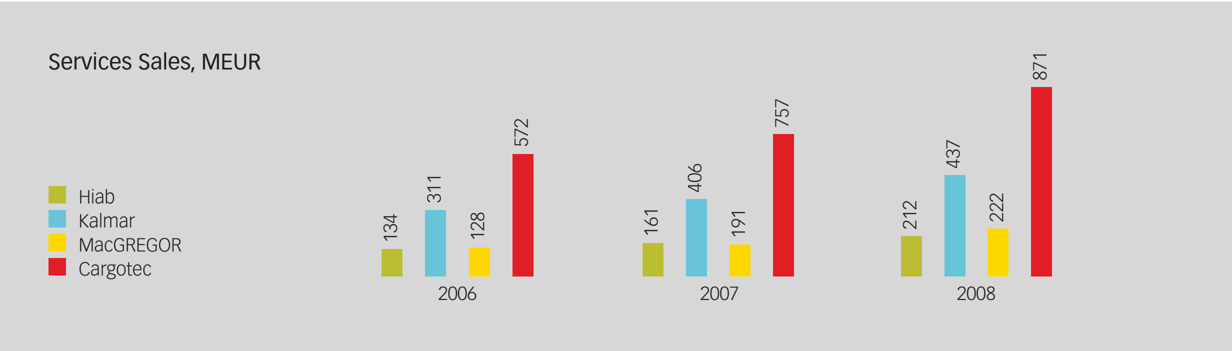
The number of maintenance contracts received by Cargotec reached record levels. More customers realised the benefits of flexibility by outsourcing their service operations in order to focus on their core business. Cargotec entered into a five-year total terminal main-

tenance agreement with Europe Combined Terminals, the operator of the state-of-the-art and highly automated Euromax Terminal in Rotterdam, Holland. This service contract, featuring a comprehensive partnership between a manufacturer and an industrial service supplier, is significant in the industry.

Unique service solutions are only effective if skilled and knowledgeable people are in place. Cargotec invested in training programmes in order to recruit, train and deploy service technicians. Making use of the latest diagnostics and remote monitoring technology is of critical importance in maximising equipment uptime and ensuring productivity. Cargotec made additional improvements to its service management systems and reporting tools, to help customers avoid unplanned downtime in their operations.

Focus Areas in 2009

Cargotec will continue to focus on fulfilling customers' requirements through tailored solutions leveraged through an expanding geographical footprint and service offering. Strong organic growth will be possible through an increase in the number of total service contracts. More robust processes and tools used to manage the company's spare parts chain will complement these agreements and drive profitability. Cargotec will continue to invest in its training programmes for service personnel and support its service management by developing systemised ways of sharing knowledge and resources. Synergies found internally as well as in meeting customers' expectations will be used as an opportunity for the further development of Cargotec's service business. ■



Customer Focused R&D

Cargotec's technology leadership is based on solutions which pay attention to product development in enhancing the customer's productivity, alongside awareness of growing environmental requirements. The aim is to improve Cargotec's technological competitiveness by investing in shared product development across all business areas.

In 2008, Cargotec established a shared product development unit in India to serve all business areas. Moreover, in the spring, Cargotec acquired 60 percent of an Italian company, Idea Designing & Consulting, based in the city of Massa. The company focuses on the development of cargo handling equipment, such as forklift trucks, reachstackers and loader cranes.

Construction of a shared product development unit began in the city of Pune in India in 2007, and by the end of 2008 the unit already employed almost 40 engineers. Like the product development unit in Italy, it supports Cargotec's business units in product development. The Indian unit has three key areas of expertise: design, structural analyses and software development. In 2008, the Pune unit's tasks included structural analyses for MacGREGOR, and design and software development for Kalmar's Intelligence & Automation unit, while the product development unit in Italy engaged in concept planning of new products and design of new features for existing Hiab and Kalmar products.

Although business units' R&D centres will continue to conduct the majority of research and development, Cargotec intends to expand the operations of both the Italian and Indian product development units in 2009.

High Technology Supports Customers' Business

Cargotec's subsidiary Cargotec Port Security began operating in the United States in the spring of 2008, developing container security solutions and ensuring the efficiency of container flows through ports. Cargotec Port Security has developed a method of measuring radiation, which will enable Cargotec's Bromma container spreaders to detect any radioactive material within containers. Containers can be scanned when lifted, which means that they do not need to be removed for separate inspection. This increases the productivity of terminals. In 2008, the U.S. Customs and Border Protection Service performed field tests on spreader-mounted radiation detection solutions. In these tests, radiation detection equipment developed by Cargotec detected and identified radioactive material throughout the container, even through seven protective layers. In addition, the U.S. Department of Energy carried out field testing, in which the system demonstrated 100% accuracy. The US Department of Homeland Security awarded the system a Qualified Anti-Terrorism Technology (QATT) designation.

Cargotec's MacGREGOR offshore cranes' active heave-compensation system (AHC) represents submarine high technology. Offshore cranes equipped with the AHC system facilitate the lowering and lifting of equipment (structures and tools) regardless of the swell of the sea. The equipment is used for the construction, servicing and maintenance of subsea installations. While the AHC system compensates for the heaving of the waves, the crane can operate precisely even in extremely rough weather conditions. In this way, the customer gains more operating time through not having to wait for optimal weather conditions. These cranes offer a maximum capacity of 600 tonnes, and operate to depths of up to 3,000 metres. Demand for cranes equipped with the AHC system has increased due to oil drilling being conducted at ever greater depths, and the increasing share of subsea oil fields.

Attention to Environmental Considerations in Product Development

For years, Cargotec's product development has focused on environmental considerations such as energy efficiency, the minimisation of emissions and noise levels, and the prevention of oil leakages. Customers are seeking increasingly energy efficient solutions due to stricter environmental requirements and increasing fuel costs.

In 2008, Kalmar launched the Pro Future™ concept, encompassing environmentally friendly equipment. To gain the Pro Future™ marking, equipment is rated against five criteria: energy efficiency, power source, emissions, noise pollution and recyclability. With the help of Pro Future™ solutions, customers can genuinely develop environmentally sustainable operations and reduce fuel consumption. During the year, among other innovations, Kalmar launched a straddle carrier utilising hybrid technology. This new hybrid straddle carrier saves costs for customers, through a lower fuel requirement for transporting containers. Moreover, such hybrid technology cuts straddle carriers' annual carbon dioxide emissions by 50 tonnes per straddle carrier. Other Pro Future™ products include the variable speed rubber-tyred gantry (RTG) crane, as well as variable speed straddle carrier, automatic stacking crane, battery driven forklift truck and ship-to-shore crane with regenerative energy source.

In its new generation loader crane, Hiab has taken account of environmental considerations: thanks to its renewed steering system, the payload of the new truck-mounted crane has increased by some 20 percent, while fuel consumption has decreased by as much as 40 percent.

In 2008, MacGREGOR continued the development of electrically-driven solutions. Their benefits for ship owners include the elimination of oil pollution, and damage to goods, as there is no need for hydraulic oil. Furthermore, energy is saved as there is no need for the continuous use of equipment. Benefits for shipyards include that cable wiring is easier and piping is not needed. During the year, electrically operated cardecks and hatch covers were delivered to customers.

Automation Enhances Customers' Operations

The intense development of automated product solutions continued in 2008 within Kalmar's Intelligence & Automation unit. Automated solutions enhance the productivity of customers' operations and minimise costs in ports and terminals by decreasing the need for fuel, and enabling better utilisation of the equipment as the degree of automation increases. Safety is also being enhanced in container yards. Early 2008 saw the launch of the new, fully-automated Kalmar Autoshuttle™ shuttle carrier that is able to pick, place and transport containers between ship-to-shore (STS) and yard stacking cranes, without a driver.

> **Cargotec's product development has focused on environmental considerations such as energy efficiency, the minimisation of emissions and noise levels, and the prevention of oil leakages.**

Kalmar continued to supply automatic stacking crane systems (ASCs) and the related automation and control systems to HHLA, the biggest terminal operator in the Port of Hamburg, with the aim of automating its container terminals by the year 2015. Automation and new stacking cranes will double the capacity of the terminal. In the autumn of 2008, delivered equipment was tested, involving cranes performing designated operations unmanned. In this project, Kalmar has developed several automation systems that can be utilised as automated solutions become more common in ports.

Cargotec Involved in Innovation Company

Cargotec acquired an interest in FIMECC (Finnish Metals and Engineering Competence Cluster Oy), a cluster of strategic excellence in metal products and the engineering industries, established in 2008. FIMECC Oy is an innovation company combining the industry's visions of future competitive assets with the competence of research institutions. Strategic themes include the service business, user experience, global networks, intelligent solutions and breakthrough materials. FIMECC's shareholder base comprises around 15 leading Finnish technology companies, universities and research institutions. The aim of Cargotec's involvement in FIMECC is to promote research projects key to Cargotec's business and product development. ■

Cargotec bears responsibility for people, products and the environment. Attention to sustainable development forms the basis of successful business operations throughout the world.

RESPONSIBILITY FOR OPERATING ENVIRONMENT ▶

Shruti Tilak works as a Front Office Executive in Mumbai, India.

Sustainable Development at Cargotec

Basic Principles Promoting Sustainable Development

Cargotec aims at promoting sustainable development through its own activities by producing sustainable solutions and products for its customers and taking into account of environmental and social wellbeing in all of its operations.

Cargotec has committed itself to a number of international sustainable development initiatives and commitments which will further the building of its own sustainable development activities. Through the co-operation programmes and organisations underlying these principles, Cargotec is also maintaining an active conversation with various interest groups in order to identify the best practices and understand the challenges of sustainable development in global operations. The most important international sustainable development commitments supported by Cargotec include:

- The UN Declaration of Human Rights
- Global Compact, the UN global corporate responsibility initiative
- The ILO Declaration on Fundamental Principles and Rights at Work
- The OECD Guidelines for Multinational Enterprises
- The International Chamber of Commerce Business Charter for Sustainable Development

The Commitment to the UN Global Compact Initiative obliges Cargotec to annually report its efforts towards the implementation of the ten principles specified in the Initiative. More information on the UN Global

Compact principles and their application in this Annual Report is available on page 43.

Sustainable Development Principles in Cargotec's Business Development

Cargotec is engaged in the continuous development of a corporate-wide sustainable operating model. To this end, the Company is seeking to provide its interest groups with solutions that contribute to positive environmental and occupational safety effects. Furthermore, Cargotec is constantly developing its operating models and policies in various competence areas by integrating sustainable development considerations in them from the very beginning, thereby making environmental and social wellbeing a natural part of the Company's operations. For example, in connection with acquisitions, social and environmental responsibilities are taken into consideration in line with Cargotec's established practices.

As a global operator, Cargotec has identified the challenges related to compliance with its general operating principles within the company's sphere of influence. In the future, the Company will further develop appropriate tools to monitor compliance with, and develop, its general operating principles, both locally and globally. Another initiative supporting the building of harmonised operating principles throughout Cargotec is the On the Move change programme, which provides new opportunities for creating models that promote sustainable development.

Code of Conduct

In 2007, Cargotec's Board of Directors approved the Company's Code of Conduct, or general ethical guidelines.

The purpose of this is to define Cargotec's ethical values and launch a common, sustainable way of working among Cargotec's personnel throughout the world. The implementation of the Code of Conduct began in 2007 with a global training process that involved approximately 250 supervisors. In each Cargotec unit, the unit manager was then responsible for arranging Code of Conduct training within his/her area of responsibility. In addition to this, Code of Conduct training is provided as part of the induction programme targeted at new employees.

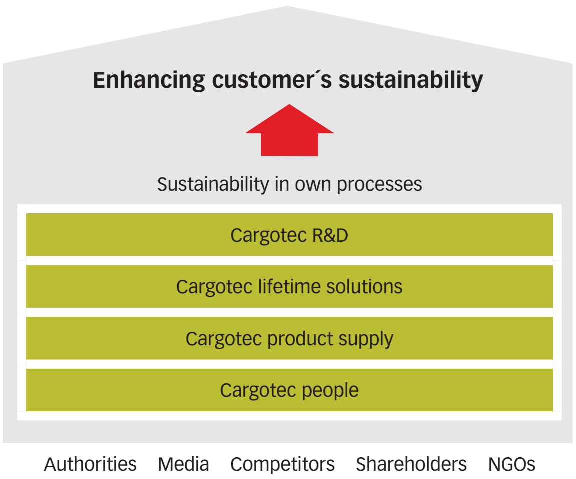
Cargotec's Code of Conduct provides operating models related to stakeholder relationship management, environmental considerations and human resource and human rights principles. The Code of Conduct also provides detailed guidelines for political neutrality and a strict anti-corruption approach. The minimum operational principles suggested include adherence to local legislation and international human rights regulations. Cargotec's internal audit function monitors compliance with the Code of Conduct. Furthermore, staff members can report violations against the Code of Conduct to the internal audit function, which considers all reported cases and resolves them in cooperation with the person or organisation in question. Each case is also reported to Cargotec's top management while the Board of Directors obtains a summary of the cases. The few cases identified in 2008 were considered by the top management and resolved in cooperation with the persons concerned.

Monitoring the Implementation of the General Operating Principles

In 2007, Cargotec began to systematically monitor various social and environmental indices. Today, this monitoring forms an elementary part of reporting in the largest Cargotec production units. The indices applied are based on international standard (Global Reporting Initiative, GRI) which has been adapted to company-specific characteristics. Through these indices, Cargotec aims at sharing the best practices, in terms of environmental considerations and occupational health and safety, throughout its organisation. Furthermore, the indices support the Company's risk management processes since information is collected on the present status of social and environmental management in the various Cargotec units. Based on these indices, at the end of 2008 the Company determined those matters whose development will be internally monitored in support of management decision-making.

In addition to these specific indices, sustainable development activities were monitored in 2007 and 2008 through audit processes targeted at Cargotec's risk management operations. Analyses of the present status of Cargotec's operations from the viewpoint of risk management processes are being extended into the area of sustainable development. Based on these analyses, the Company will generate recommended practices.

Cargotec´s Sustainable Solution for Continuous Development



Division of Responsibilities in Support of Sustainable Development

Operating in line with the principles of sustainable development, and furthering this approach, forms part of Cargotec's strategy. While the targets of sustainable development are approved by Corporate management, the business areas and units can further specify these targets for their functions. In 2008, Cargotec continued to actively build the various sub-areas of sustainable development in collaboration with HR, product and business development, sourcing, environmental, health and safety and quality organisations. ■

The new way to handle waste in China.

Solution-based Promotion of Sustainable Development

Cargotec tailors its products and services to meet its customers' needs as comprehensively as possible. In 2008, Cargotec's Hiab business area established an environmental business organisation aimed at producing efficient and safe solutions for the waste management sector.

These solutions further the creation of a waste management infrastructure and improve human and environmental well-being alongside the modernisation of waste transportation management. In China, Hiab has been building its cooperation with local authorities and equipment suppliers for years, alongside the development and modernisation of waste management infrastructure and transportation methods. In Shanghai, for example, expert organisations have been invited to participate in such development work in order to ensure that the development needs of Shanghai's waste management are fully understood. Based on the results of this cooperation, Hiab and the local authorities and organisations arranged training sessions and other events, during which the needs of waste management, as well as its links to environmental and health issues, were examined. Over the last few years, cooperation with the local authorities has led to novel, safer waste management arrangements in Shanghai. In addition to the overall concept, Hiab has delivered waste compactors and demountable systems enabling the safe, efficient and hygienic transfer of waste from one location to another. As part of this cooperation, eight modern municipal waste transfer depots have been built in Shanghai. This comprehensive cooperation culminated in the Olympic Games in Beijing for which Hiab supplied waste management solutions in cooperation with a Finnish waste container manufacturer.

The old way to handle waste in China.

The Environment as Part of Sustainable Development

Cargotec's environmental policy defines the Company's environmental principles. Based on these, Cargotec's business areas have further defined their environmental principles in line with their specific circumstances.

The main environmental effects of Cargotec's operations are related to the use of its products. For this reason, in 2008 the Company focused on identifying product-based environmental perspectives. In Cargotec's own processes, the largest environmental effects can be identified in production plants. The Company aims to render environmental assessments and management a natural part of the plants' operative management. In the future, Cargotec will place increasing emphasis on managing the environmental effects of its growing service business and the entire supply chain. In 2008, the Company introduced its new subcontractor criteria in which environmental safety, occupational health and safety and quality issues have been taken into account more extensively than before. These criteria have been implemented with selected subcontractors, and their extension throughout the subcontractor base will be assessed later, on the basis of the results of the pilot phase.

Environmental Considerations in Services and Product Development

Cargotec's strategic business development goals support the creation of holistic, sustainable, long-term solutions for customers. In product development, environmental

considerations form an integral part of planning and manufacturing. In the service business, the focus is on extending product life cycles while an extensive service network helps uphold efficient operating characteristics. In addition to product development and services, Cargotec is seeking to train its customers to use Cargotec equipment so that safety and environmental matters reach optimal level.

In product planning, product quality assessments play a key role, the aim being to guarantee product safety and sustainability as extensively as possible. Environmental impacts are evaluated in collaboration with the customer, and the related goals are set from the customer's perspective. Consideration and anticipation of legislation, rules and regulations form a natural part of the product development process. To further develop its environmental impact assessments and product planning, Cargotec launched projects in 2008 in order to identify the best practices in the Company's various product lines.

Energy efficiency, safety and the prevention of oil leakages represent key focus areas in Cargotec's product development. In 2008, the Company determined a clear environmental criterion for energy efficiency, according to which it undertakes to reduce the use of fossil fuels by 10 percent in its equipment over the next 6–10 years. A major step was taken in environmental impact assessments when Kalmar launched its Pro Future™ environmental criteria. All Kalmar equipment meeting these criteria will bear the Pro Future™ symbol.

Clinton Global Initiative

Cargotec is committed to reducing the use of fossil fuels in its equipment by 10 percent through the Clinton Global Initiative launched by the former U.S. president Bill Clinton.

Founded in 2005, the aim of the Initiative is to implement solutions to global challenges by creating networks and partnerships. Cargotec was invited to join this initiative and signed its own commitment as the first Finnish organisation to do so, in 2008.

The commitment duration was defined as 6–10 years. Through this commitment, Cargotec wants to contribute to the achievement of the principles of sustainable development and the development of novel products and services.

Pro Future™

Kalmar continued to steer its product development activities in a more environmentally friendly direction in 2008 and took a major step towards doing so by supporting its customers' contribution to sustainable development, through the launch of the Pro Future™ concept.

Kalmar rates its equipment using five environmental- and efficiency-based indicators: source of power, energy efficiency, emissions, noise pollution and recyclability. Within each category, a product or service is evaluated and scored, the highest totals offering the most environmentally friendly benefits.

At present, Kalmar's Pro Future™ range includes among others hybrid straddle carrier, automatic stacking crane, battery driven forklift truck and a ship-to-shore crane with regenerative energy source.

By upgrading its service business, Cargotec provides its customers with the opportunity to ensure optimal use of equipment throughout its entire life cycle. Regular service intervals not only extend the product's life cycle but also keep its environmental effects and safety at the appropriate level. This, in turn, promotes a clean and safe working environment for end users. It is also possible to modernise certain earlier product models to improve their efficiency and reduce their environmental effects. Cargotec is constantly developing its maintenance and modernisation solutions in line with changes in customer and authority requirements.

Environmental Considerations of Cargotec's Own Processes

The most significant environmental effects associated with Cargotec's processes are related to those originating from the operations of the various business units as well as transportation and commuting to and from work. The certified ISO 9001 and ISO 14001 quality and environmental management systems form the basis of Cargotec's environmental management, and the Company's regular internal and external audits and management audits are aimed at monitoring the achievement of the related objectives. As a global operator, Cargotec has identified the challenges related to the management of environmental issues in various countries. Its aim is to achieve the best possible practices in local circumstances.

Cargotec's strategic business development goals support the creation of holistic, sustainable, long-term solutions for customers.

Cargotec has continued to build certified management systems into its production units with the aim of creating an operational model that helps to identify the most important environmental effects and respond to them in all units. Eight of Hiab's 16 production units and two of its sales companies apply environmental management systems certified under ISO 14001. These systems cover approximately 80 percent of the sales of Hiab's production units. Six of Kalmar's seven production units apply certified environmental management systems, these systems covering also approximately 80 percent of the sales of Kalmar's production units. MacGREGOR commissions most of its products from selected partners independently responsible for their production processes. Operational guidelines related to the management of environmental issues are included in the quality systems of most MacGREGOR units. Furthermore, all of Cargotec's business areas have been working on partly shared certifications which cover various units within the business area in question. The purpose of this is to further the setting and achievement of joint targets. Hiab began to harmonise its certifications in 2008 while Kalmar and MacGREGOR initiated this earlier.

Handling environmental risks and responsibilities forms part of continuous processes. In the context of corporate acquisitions and divestments, Cargotec analyses environmental issues as part of the due diligence process and manages any identified responsibilities according to standardised practices. An environmental assessment was performed in connection with major acquisitions completed in 2008. Furthermore, an extensive environmental assessment was conducted in 14 production units in accordance with a programme introduced in 2007. This involved the evaluation of management systems, facilities and production from the viewpoint of their environmental effects while taking into account the units' operating environment. Extensive soil cleaning work was carried out in two Cargotec sites in 2008 as a result of industrial activities that had taken place in those sites earlier. Cargotec is seeking to systemise the monitoring of matters brought up in connection with environmental impact assessments.

Development of Environmental Targets

In 2007, Cargotec began to develop the reporting of corporate-level environmental indices. These indices were collected from production units since their environmental effects are the most significant among Cargotec's operations. At present, environmental indices are collected from 19 production units, in addition to which preliminary information has been collected from planning and sales units. With respect to new production units joining the Company through acquisitions, key figures will be collected in line with the established practice. The collection of environmental indices makes the pinpointing of the best practices and solutions between the various units more efficient. It also improves the identification of corporate-level environmental challenges and enables responding to these challenges through shared targets. These environmental indices have been determined in accordance with international standards and deal mainly with the production units' use of energy, waste flow management, water and materials consumption, greenhouse gas emissions and other emissions into the air. Despite the increasing use of video and telephone conferences, Cargotec's global presence has also increased the need for travel. Cargotec is actively seeking business travel partners that pay attention to reducing the environmental impact of their operations. In 2009, Cargotec will initiate the systematic monitoring of environmental effects arising from travel with the aim of identifying and minimising these effects. ■

Personnel

Cargotec invests in personnel development in order to further improve job satisfaction and commit employees to the realisation of the Company's strategy. The On the Move change programme, supporting the Company strategy, aims at developing Cargotec into a strong market leader and a global employer of choice.

During the reporting period, a uniform operating model and a global matrix organisation were created for human resources (HR) management in line with the On the Move programme. The pooling of resources into a worldwide HR expert network laid a solid basis for supporting the objectives of both business operations and the entire organisation. Competence and support in key areas, and strategic planning, were consolidated in centres of expertise, while operative human resources management and local business support functions were organised regionally to serve the country organisations being set up. An increased customer focus and comprehensiveness and quality of services are essential in the development of HR management's operating methods and expertise.

Human Resources Management and People Strategy

Implementation of the new people strategy, approved by Cargotec's Board in 2007, was enhanced in the reporting period. Special focus areas included support for employee and change management, the development of leadership skills and human resources competence development, alongside committing the best talents. The comprehensive introduction of shared HR management processes and tools was reinforced globally.

The support of HR management played a key role during the year, in the On the Move programme's product supply and country re-organisation projects , and other major development projects. Key duties included supporting the management in change management, and identifying the best talents for key positions as

business areas upgraded their organisations to further customer orientation.

Cargotec is committed to equal opportunity in employment policies, procedures and practices, and respects the freedom of association of the personnel.

Personnel Structure and Changes in 2008

Thanks to the enhanced efficiency of HR management reporting practices, the comprehensiveness and quality of information gained from the organisation improved during the year.

On December 31, 2008, Cargotec had a total of 11,826 employees. 15 percent of its employees were female (2007: 15) and 85 percent male (2007: 85). Three percent of Cargotec's total employees worked part time (2007: 3) and 97 percent full time (2007: 97).

As a result of lower demand and profitability, Cargotec initiated restructuring measures in October, mainly in Western Europe and North America, which resulted in personnel reductions affecting some 1,000 people. These measures were aimed at adjusting capacity in Hiab to the prevailing market situation and improving Hiab's and Kalmar's profitability. The need for personnel cuts was highest in Finland, Sweden, the Netherlands and the USA.

Compensation

Cargotec rewards its employees through various incentive systems. In 2008, the compensation and reward systems were unified, and position classifications were updated. The purpose of these measures was to promote a corporate culture based on target-orientation and shared efforts. Country organisations initiated the harmonisation of country-specific compensation and employee benefit systems.

Cargotec has a top management incentive programme which defines both short- and long-term targets. The incentive programme consists of a long-term, share-based reward system and the top management's bonus scheme that comprises both financial and personal targets. Furthermore, Cargotec's local units have collective incentive schemes based on the unit's financial and productivity targets. In 2008, Cargotec paid a total of EUR 387 (2007: 356) million in salaries and remunerations.

Human Resources and Competence Development

In 2008, the new performance management process was developed further on the basis of feedback received from management and key personnel, and the process was introduced worldwide in other personnel groups, too. A new personal performance assessment method was implemented for top management. Talent management was invested in by extending the annual management review of managers and key personnel into continuous leadership dialogue. This process ensures a sufficient number of key experts and the adequacy of succession plans. Hiab implemented a 360 leadership assessment for approximately 60 managers. The individual feedback given to participants helped in planning and improving personal leadership.

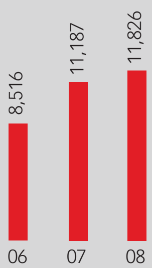
The development of an online recruitment tool improved communication related to job opportunities throughout the organisation. The worldwide introduction of the new tool enhanced equal career development opportunities for all employees, and internal job rotation. Cargotec's external employer image was clarified with the help of local recruitment events and through cooperation with educational institutions and universities.

Cargotec's key HR policies were renewed during the year, and the service range of HR management was compiled into a comprehensive HR Service Catalogue. A new common intranet and collaboration portal Flow was introduced for improving interaction between employees and organisation units. The implementation of virtual e-training was surveyed as part of the development project of a virtual learning platform and training management system. Local employee surveys were conducted along with a global atmosphere survey targeted at leadership and key personnel in connection with the On the Move programme.

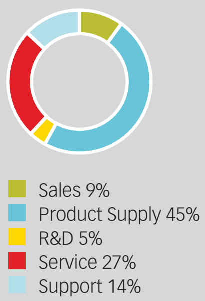
Training Programmes

Cargotec's human resources competence development is based on corporate-level, centralised and local training programmes provided in various Cargotec countries, customised to meet the needs of employees and businesses, while global training programmes focus on the development of leadership skills and expertise in various sectors.

Number of Employees at the End of Period



Employees by Function



In 2008, the Cargotec Experience induction programme was arranged 14 times around the world, with a total of some 400 employees participating. The purpose of this programme is to strengthen Cargotec's corporate culture and familiarise employees with the Company's global operations.

The Coaching to Success training programme for supervisors was launched during the year with the purpose of improving communication and influencing skills required in team management. The Leading the Move leadership training programme for middle and top management focuses on leadership, change and strategic business development.

The Sourcing Excellence training programme, promoting the implementation of Cargotec's common sourcing and purchasing strategy, continued during the year, covering almost all managers and key persons working in sourcing and purchasing. The Sales Academy training programme for sales personnel, previously implemented in Kalmar, was expanded to cover all business areas. Furthermore, the Sales Leadership Master Class, an advanced sales executive training programme, continued in cooperation with various companies and universities. Also, the Managerial Finance programme for executives with profit responsibility was implemented in various parts of the world.

Cooperation in Constructive Collaboration

Cargotec applies an employee cooperation system that it has jointly developed and agreed on with its personnel. This system is based on statutory employee information and consultation requirements. At Cargotec, cooperation has been organised at corporate and location level. At its locations, cooperation is based on national legislation. Cooperation forums at corporate level include the Cargotec Personnel Meeting in Europe, which consists of 19 personnel representatives from 11 different countries, in addition to which the Cooperation Committee operates in Finland, and the Corporate Information Committee in Sweden. These forums, convening on an annual basis, are joint meetings for personnel representatives and management, while the working committees operating under the forums meet more frequently. In 2008, a higher than usual number of meetings were arranged for the various working committees, due to the change projects entailed in the On the Move programme. Active interaction promoted constructive collaboration and enhanced the possibilities of personnel to participate in corporate strategic planning and the implementation of strategy.

Occupational Health and Safety

Cargotec aims to ensure safe working conditions for its employees. Cargotec's health and safety management is based on the Company's Code of Conduct, risk management and safety policies as well as unit-specific health and safety management systems, the aim being to minimise the number of industrial injuries by means of preventive measures. The Code of Conduct specifies that each employee is responsible for protecting him or herself and his or her co-workers, workplace, community and environment. According to the Code, everyone must also report any deficiencies in occupational health and safety and prevent possible damage or injuries.

Occupational health and safety issues were developed further through the standardisation of internal rules and regulations, and by arranging regular inspections and training sessions for personnel. Measures taken in 2008 included the initiation of the expansion of the OHSAS system to cover all of Cargotec's operative units in Finland. The system will be country-specific, and certified under the name of the new Finnish legal entity, Cargotec Finland Oy.

2008 also saw the introduction of the reporting of occupational health and safety indicators in almost all manufacturing units. These key figures will provide comparable information on the occupational health and safety status of units, and the overall corporate-wide situation. Moreover, reporting will provide information on the reasons for accidents resulting in absence. This information will facilitate the more effective advancement of various units' safety operations, and promote cooperation between units.

Near Future Goals

In 2009, the strategic and operational support provided by Cargotec's HR management to business will be reinforced. Intensive support provided to On the Move development projects and change management will continue as country organisations are introduced in an increasing number of countries. In the reorganisation of the product supply structure, sufficient personnel resources and expertise will be ensured. By defining leadership values and basic areas of expertise required for good management, alongside indicators of personnel wellbeing, leadership will be developed further while establishing a comprehensive basis for atmosphere and job satisfaction surveys to be implemented throughout the organisation.

The uniformity of position classifications throughout the organisation will be developed further while a strategy for a comprehensive employee compensation and incentive system will be defined. Methods of competence management, performance assessment and compensation will be integrated into a consistent process to motivate better performance and promote fair compensation. ■

Cargotec Service Academy Offers Tutored Service Training Alongside Daily Work

Cargotec supports its service business growth strategy by striving to attract the industry's best service engineers.

Service engineers must have excellent skills for example in electronics, hydraulics and problem-solving. In order to secure its supply of qualified service personnel, MacGREGOR launched a Service Academy training programme for students at the end of 2006, and in early 2008 this programme was expanded into a Cargotec-wide service training project.

Service engineers trained in the Cargotec Service Academy receive theoretical training in cooperation with various educational institutions. The students chosen for the programme have recently finished their university or other studies, or have gained a few years' experience in working life.

Depending on their previous experience, students complete three months of theoretical studies. The programme begins with them familiarising themselves with Cargotec and its products, and completing an intensive course in the English language. In the following stage of the programme, the trainees embark on theoretical studies in order to learn the basics of hydraulics, electronics, flame-cutting and electric welding, followed by a six-months practical on-the-job training period. The training also includes safety aspects related to working on vessels in ports and shipyards. After graduation, the aim is to place students in service positions within Cargotec.

So far, Service Academy programmes have been arranged in Shanghai, China, and in Manila, the Philippines, and Cargotec employs some 50 service engineers who have completed the programme.

Internal Control and Risk Management

Cargotec began the systematic development of its internal control in 2007. In Cargotec, internal control is charged with ensuring that management's decisions are implemented throughout the organisation, functions work efficiently and the appropriate decisions are taken concerning business operations. In addition, it must ensure that risk management is adequate and that personnel adhere to the company's policies and external regulations and legislation.

Internal control involves securing an ethical and healthy corporate and management culture, policies, guidelines and clearly defined reporting and communications. Internal control systems are monitored regularly. Cargotec's Board of Directors approved the internal control policy in 2008.

Responsibility for internal control at Cargotec is divided into three tiers. Line management is primarily responsible for internal control. It is aided by corporate support functions, which define policies and instruct on and supervise risk management. Internal and external audits form the third tier, their task being to ensure that the first two tiers are functioning effectively.

Internal control does not have a separate reporting process; instead, its reporting is based on financial reports, management reports, risk reports and internal audit reports.

Risk Management as Part of Internal Control

Cargotec's risk management supports business operations and objectives by anticipating potential threats to the company's operations and by managing the risks they entail. This ensures that the set objectives can be achieved. A core principle is continuous, systematic and preventive action for identifying, assessing and handling risks and, if they materialise, treating them effectively.

1. Risk Management Concepts and Objectives

Cargotec defines a risk as any internal or external threat or uncertainty which may prevent or jeopardise operations and the achievement of objectives. The scope of Cargotec's operations requires that it utilise comprehensive risk management, which encompasses business risk management, safety and hazard risk management, risk transfer and continuity management. These areas also include sustainable development perspectives, which are taken into consideration when developing risk management.

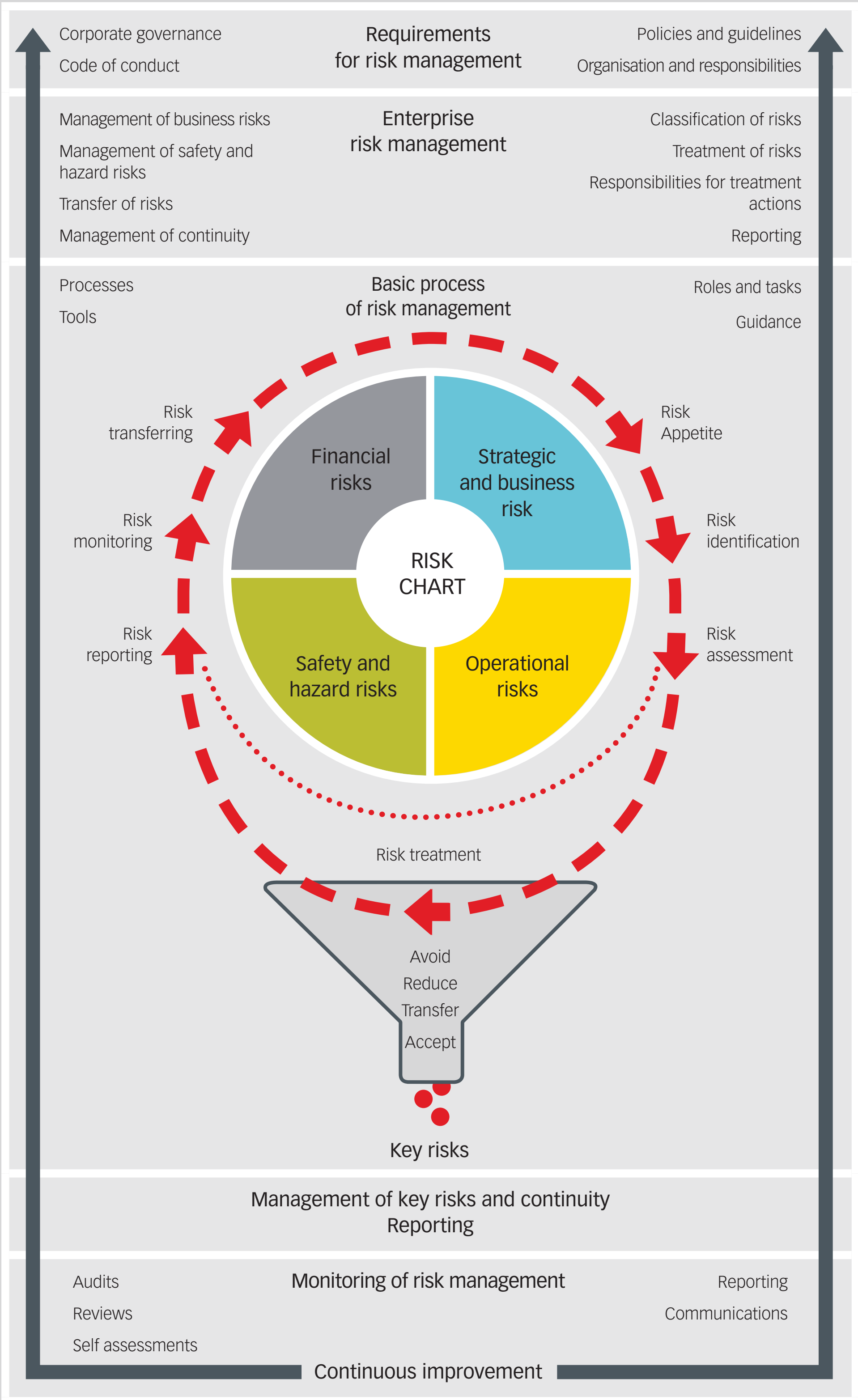
The objective of comprehensive risk management is the development and consistent use of systematic and practical risk management systems throughout the organisation and partner network. This produces analysed information on risks at various levels of business operations, allowing key risks to be managed effectively and constantly and risk management measures to be monitored as part of business management and decision-making. Comparative risk awareness enables the communication and reporting of risks and cooperation at different levels of the Company, in order to continuously enhance operations.

2. Organisation and Responsibilities of Risk Management

Cargotec's Board of Directors has approved the company's risk management policy, which defines the objectives, principles, activities and areas of responsibility of risk management. In addition, companies in the delivery chain must be familiar with Cargotec's risk management principles and practices and follow similar principles. Guidelines concerning risk management and instructions on self-assessment have been drafted for suppliers and subcontractors.

The President and CEO and the Executive Board are responsible for the methods, implementation and

Enterprise Risk Management (ERM)



Risk identification

Risks are identified by forming a comprehensive view of events which originate from the internal and external environment of the business area or unit, and which can influence the achievement of the company's objectives.

Risk assessment

Risks are assessed by estimating the consequences and probability of an adverse event, and evaluating the importance of the risk in question.

Risk treatment

The evaluation of the risks enables the company to prioritise risks and target treatment actions effectively. Actions include avoiding, reducing, sharing, transferring and accepting risks in accordance with the company's risk tolerance.

Risk reporting

Communicating and reporting risks information to the organisation.

Risk monitoring

Monitoring of changes in risks and of the execution of the treatment actions that have been decided upon.

Risk transferring

Sharing and transferring risks under agreement or using insurance programmes.

supervision of risk management, and report on these to the Board of Directors. Cargotec's risk management is spread across business areas and units. Each unit is responsible for assigning responsibility for risk management and identifying, managing and reporting risks. Units develop their risk management procedures and train their personnel in accordance with development plans that have been drawn up.

The Corporate Risk Management function is responsible for the development of comprehensive risk management. This is supported by the creation of corporate-wide risk management principles, practices and risk reports, the development of tools and the application and adoption of these tools.

The Corporate Risk Management team is composed of the Corporate Risk Management Director and the persons responsible for risk management in the business areas. The Risk Management team continuously assesses the efficiency of the risk management process, considers development needs, plans and measures and monitors their implementation. In 2008, cooperation with the corporate responsibility organisation was enhanced.

The Corporate Treasury function manages financial risks centrally.

The Internal Audit unit operates under the supervision of the President and CEO and the Board of Directors' Audit Committee, reporting regularly to the Audit Committee on its operations and audit results. The goal of Cargotec's internal audit is to ensure that the Company's operations are efficient and profitable, its business risk management is adequate and appropriate and the information it produces is reliable. The audit also ensures that instructions and operating principles are followed. The Internal Audit function inspects the operations of the Company's major subsidiaries and other units on a regular basis. It is also responsible for internal control and business risk auditing.

3. Definition of Risks

Cargotec divides risks into strategic and business risks, financial risks and operational and hazard risks. The purpose of this classification is to clarify the organisation of risks and handling procedures and the definition of responsibilities.

Strategic and Business Risks

Strategic and business risks are related to business cycles in the world economy and Cargotec's customer sectors, the availability of raw materials and components and trends in the related prices, mergers and acquisitions and the operations of dealers and subcontractors. Cargotec addresses these risks by striving to identify them and prepare for them in advance. The Company also prepares for them by signing long-term delivery agreements and seeking alternative suppliers. Since the share of outsourced production is significant and suppliers are global, close cooperation with key suppliers (Vendor Management), audits and regular forecasts on the need for and availability of raw materials and components form an increasingly important means of managing delivery risks.

Financial Risks

Cargotec's treasury operations and financial risk management principles are defined in the Corporate Treasury Policy. The Company's financial risks are centrally managed by the Corporate Treasury, which draws up financial risk reports for Corporate Management and the Board of Directors on a regular basis. Financial risks arising from Cargotec's business activities include currency, interest rate, refinancing and liquidity, counterparty and operative credit risks. The Company seeks to protect itself against these risks in order to ensure a financially sound basis for developing its business operations. For a more detailed description of financial risks, see Note 2 of the Financial Statements.

Operational Risks

Operational risks relate to persons, property, processes, products, information technology and practices. The materialisation of such risks may lead to bodily injuries, property damage, business interruption or product liability claims. Cargotec's main activities related to the management of these risks are related first and foremost to increasing product safety and information security and ensuring business continuity. With respect to key person risks, succession plans for leadership and key assignments are updated on an annual basis, for the purpose of ensuring continuity in operations.

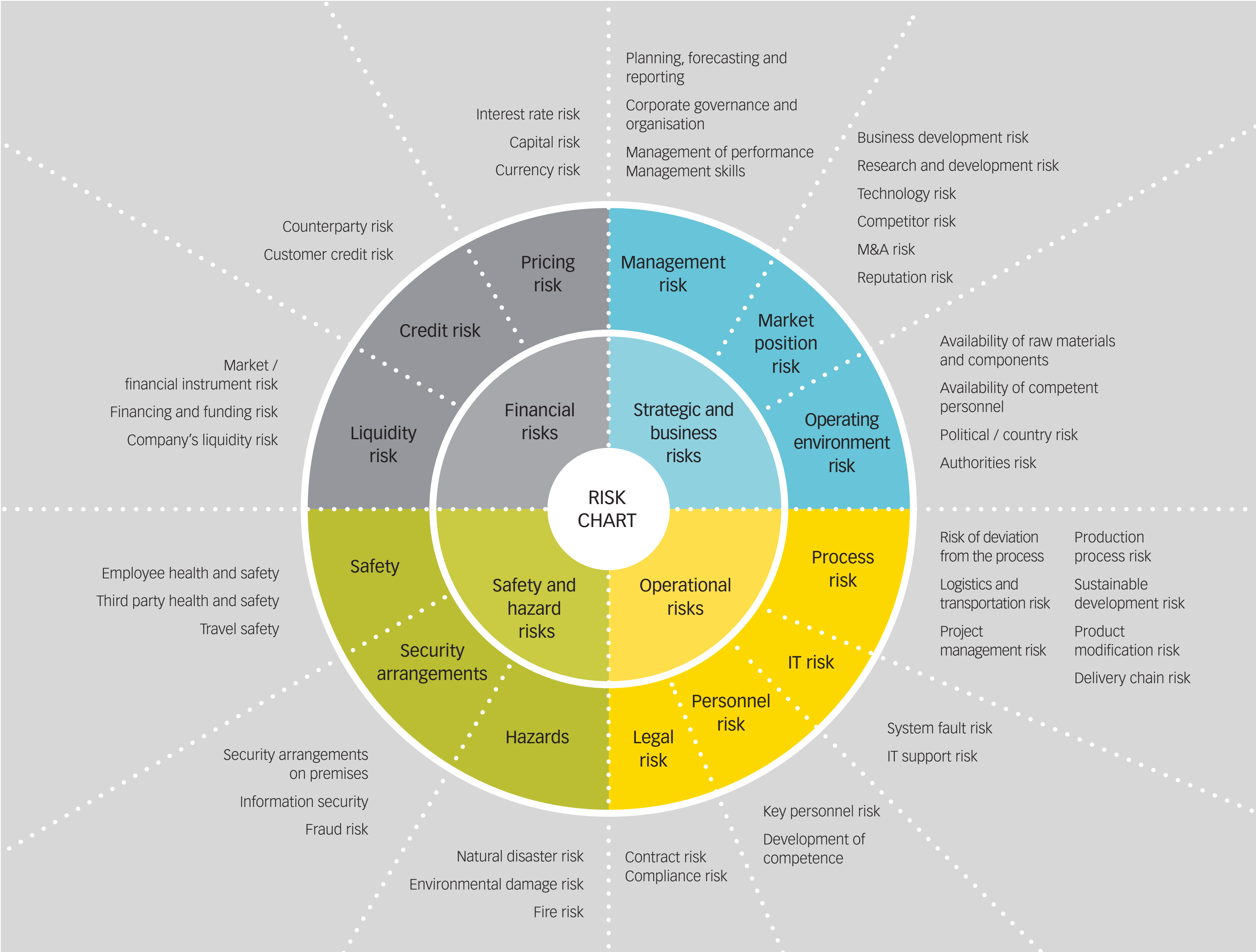
Hazard Risks

Cargotec's main hazard risks include risks related to personnel, property, business interruptions and logistics. In addition to preventive risk management measures, the Company protects itself against these risks by taking out worldwide insurance policies that cover all units. The efficient handling of accidents also forms an important part of hazard risk management.

4. Key Activities

Implementation of the Risk Management Process

Cargotec's main principle is that risk management should take place systematically and as a continuous part of day-to-day business operations. The objective is that, in addition to reacting to problems, the Company moves towards a uniform and preventive way of working that systematically identifies risks and in which correc-



tive measures are taken sufficiently early. This entails that personnel are well trained in the risk management process, methods and tools.

Strategic risks are examined as part of the Company's strategic planning. The identification and examination of operational risks takes place in connection with annual planning and forms a continuous part of normal business operations.

Manufacturing units may identify, assess, process and report key risks posing a threat of business interruption, using a tool intended for risk management. The tool also enables the creation of a summary of key risks threatening the continuity of the operations of a business area or the entire Company. This helps identify focal areas where risk management development measures can be directed.

Matters relating to product safety form part of the product development process. The underlying principle is to improve product safety and take the device safety point of view into account during a product's design stage.

With the purpose of improving and harmonising risk management, the level and profitability of risk management is continuously assessed using the ISO systems, quality and environmental systems and health and safety systems of the Company's units. The units continued to enhance their systems in 2008. Operations are also assessed in management reviews.

The Corporate Risk Management function carries out audits of risk management levels within the units. These audits involve the inspection of risk management work carried out therein and the management of operational and hazard risks, as outlined in the risk chart. In addition, the Company carries out supplier audits and audits in connection with M&A and corporate restructuring transactions.

Development of Risk Management Process

As Cargotec becomes more harmonised, its capabilities for the development and implementation of risk management will be further improved. The goal is that, besides general risk management principles and guidelines, Cargotec also has risk management tools that facilitate practical work and which are implemented throughout the Company. These tools will also enable consistent reporting and the creation of summary reports in order to form a better overall view.

Method and Tool Development

During the year, Cargotec has developed a basic risk management tool, the application and adoption of which will be studied in the operations, business projects and risk reporting of the business units.

Risk Management in Project Operations

The increasing diversity of project operations is creating growing requirements for the management of risks which threaten projects. Cargotec is currently conducting a study using a business project model, in order to examine its various work stages and current practices. Based on the study, Cargotec will assess how operations can be fine-tuned in terms of risk management, and how tools and reports facilitating work can be developed in order to support decision-making and manage risks.

Information Security

Information security has been enhanced by continuing information security inspections in units and service centres. Moreover, Cargotec has created guidelines for fixing any deficiencies detected. The corporate information security guidelines have been developed by drafting an up-to-date information security policy and a number of lower-level information security guidelines concerning information management and users. This work will be continued by creating even more detailed information security guidelines for the management of user IDs and user rights, for example. Efforts have been made to increase the general level of information security awareness among the entire personnel during introduction training, among other things. Several IT related measures have been implemented in order to increase the security of Cargotec's information network. A new e-mail system was introduced in 2008, in connection with which the information security of remote and mobile use has been improved.

Auditing and Reporting in Manufacturing Units

The programme for the assessment and development of the level and procedures of risk management in manufacturing units, which was started in 2007, was continued in 2008. Almost all of the manufacturing units have been audited. The audits focused primarily on operational and hazard risks at business locations, which have been identified during risk charting. The units received a report of the audits, stating the overall risk management situation, risk areas in particular need of development and recommendations for measures to be taken. Based on these recommendations, some of the units have already created a detailed action plan that includes timetables, responsible persons and cost budgets. The standardised auditing concept enables the easy comparison and learning from others in support of continuous improvement. Key measures have been related to securing continuity in both external and internal dependencies, whether they concern a unit's own operations or supplier cooperation.

During 2008, the manufacturing units began the comprehensive reporting of environmental, occupational health and safety information indicators, the objective of which is to produce information in support of corporate risk management and sustainable development measures.

Management of Supplier Risks

Several tools have been developed for the management of supplier risks, the adoption of which was begun in 2008. Criteria have been drawn up for Cargotec's supplier requirements in order to assess the capabilities of suppliers, ensure their level of know-how and minimise supplier risks. New suppliers are audited in accordance with these criteria and the competence of existing suppliers is enhanced. Procurement categories are managed using category strategies, and during their creation, risks related to materials and their markets are taken into account as a specific area of focus. Cargotec strives to minimise the quality, cost and availability risks of procured materials using ISO/TS 16949 based tools, the wide-scale introduction of which was started in the latter half of 2008. When negotiating procurement agreements, Cargotec aims, in addition to the aforementioned risks, to minimise supplier and product specific cost and currency exchange risks.

Crisis Management

Guidelines concerning crisis management were supplemented in 2008 by issuing a policy and guidelines concerning communications in potential crisis situations. This policy complements existing guidelines on the reporting of serious accidents and the handling of accidents.

Further Development

Key further measures in risk management will focus on the testing of tools developed by Cargotec in selected units, the processes of project deliveries, the management of key risks and the development of reporting. ■

UN Global Compact

Cargotec Corporation supports the ten principles of the UN Global Compact, which asks companies to embrace, support and enact, within their sphere of influence, a set of internationally defined core values in the areas of human rights, labour standards, the environment, and anti-corruption.

The table on left lists the ten principles of the UN Global Compact, and states where information on how Cargotec Corporation addresses these issues is included in this Cargotec Annual Report 2008.

Human Rights

PRINCIPLE 1: Businesses should support and respect the protection of internationally proclaimed human rights.
PAGES: 26–30

PRINCIPLE 2: Businesses should make sure that they are not complicit in human rights abuses.
PAGES: 27, 34–40

Labour Standards

PRINCIPLE 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
PAGES: 27, 34–38

PRINCIPLE 4: Businesses should uphold the elimination of all forms of forced and compulsory labour.
PAGES: 27, 38–40

PRINCIPLE 5: Businesses should uphold the effective abolition of child labour.
PAGES: 27, 38–40

PRINCIPLE 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation.
PAGES: 27–28, 34–37

Environment

PRINCIPLE 7: Businesses should support a precautionary approach to environmental challenges.
PAGES: 22–23, 27–28, 30–33, 38

PRINCIPLE 8: Businesses should undertake initiatives to promote greater environmental responsibility.
PAGES: 22–23, 26–27, 31–32

PRINCIPLE 9: Businesses should encourage the development and diffusion of environmentally friendly technologies.
PAGES: 22–23, 27, 30–33

Anti-Corruption

PRINCIPLE 10: Businesses should work against corruption in all its forms, including extortion and bribery.
PAGES: 27, 38–40, 49–50


MacGREGOR

Christian Lönnqvist works as a Manager in RORO Service Competence Centre in Gothenburg, Sweden.

Cargotec's objective is profitable growth in consolidating and emerging markets. The Company serves the capital markets on a regular and equal basis, in support of the fair valuation of its shares.

CARGOTEC AS AN INVESTMENT ▶

Information for Shareholders

Annual General Meeting (AGM)

Cargotec Corporation's Annual General Meeting will be held at the Marina Congress Centre, Katajanokanlaituri 6, Helsinki, on Thursday, March 5, 2009 at 2 p.m.

Attending the AGM

Shareholders wishing to attend the meeting must be entered in the Cargotec shareholder register at the Euroclear Finland Ltd (formerly Finnish Central Securites Depository) by no later than the record date of the meeting, February 23, 2009. Shareholders must register for the AGM by 4 p.m. on March 2, 2009.

Registration in the Shareholder Register

A shareholder whose shares are registered in his/her personal book-entry account at the Euroclear Finland is automatically registered in the Cargotec shareholder register. A nominee registered shareholder can be temporarily registered in the shareholder register for attending the Annual General Meeting and he/she is advised to request necessary instructions regarding the registration and the issuing of proxy documents from his/her custodian bank.

Registration for the AGM

Shareholders must register to attend the meeting by 4 p.m. on March 2, 2009 either:

• Over the internet	www.cargotec.com
• By telephone	+358 204 55 4284
• By fax	+358 204 55 4876
• By mail	Cargotec Corporation, Shareholder register, P.O. Box 61, FI-00501 Helsinki, Finland

Proxies

Any proxies must be submitted in connection with registration for the meeting.

Dividend Payment

The Board of Directors will propose to the Annual General Meeting convening on March 5, 2009 that of the distributable profit, a dividend of EUR 0.59 per class A share and EUR 0.60 per outstanding class B share be paid. Only those registered as shareholders at the Euroclear Finland by March 10, 2009, the record date for dividend distribution, are entitled to dividends. The date proposed by the Board of Directors for the payment of dividends is March 17, 2009.

Financial Reports in 2009

• February 2, 2009	Financial statements review 2008
• Week 7	Annual Report 2008 (in pdf format on the internet)
• Week 8	Annual Report 2008 (in print)
• April 28, 2009	Interim report covering the period January–March 2009
• July 20, 2009	Interim report covering the period January–June 2009
• October 22, 2009	Interim report covering the period January–September 2009

Publication of Financials

Cargotec Corporation publishes its financial reports and stock exchange and press releases in English and Finnish. The reports and releases are available on the Company's website at **www.cargotec.com**, where you can also request that the material be sent to your e-mail address. In addition, financial reports can be ordered by mail from **Cargotec Corporation, Investor Relations, P.O. Box 61, FI-00501 Helsinki, Finland**, by e-mail from **ir@cargotec.com**, by phone from +358 204 55 4284 or by fax from +358 204 55 4876. The Annual Report will be sent to all shareholders.

Changes of Address

For changes in shareholder addresses, please contact the bank or brokerage managing the book-entry account.

Investor Relations

The role of Cargotec's Investor Relations is to provide information on the Company as an investment and to serve Cargotec's shareholders and other capital market participants. The aim is to provide reliable and timely information regularly and equally in support of a fair valuation of the Company's shares. Cargotec does not conduct meetings with capital market representatives during the three weeks prior to the publication of financial statements or interim reports.

Contact Information

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Tiina Aaltonen, Executive Assistant, IR
Tel. +358 204 55 4284
E-mail: tiina.aaltonen@cargotec.com

Analysts

Information on analysts providing coverage on Cargotec is available on the Company's website at **www.cargotec.com/investors.**

Corporate Governance

Cargotec Corporation's ("Cargotec" or "Company") governance and management are based on the Finnish Limited Liability Companies Act and Securities Markets Act, the Company's Articles of Association and the rules and guidelines of NASDAQ OMX Helsinki Oy ("Helsinki Stock Exchange"). At Cargotec, the Company's shareholders at the Shareholders' Meeting exercise the highest decision-making power. The Company is managed by the Board of Directors and the President and CEO.

Cargotec complies with the insider guidelines of the Helsinki Stock Exchange. The Company has organised its governance in compliance with the Corporate Governance Recommendation for Listed Finnish Companies issued by the Helsinki Stock Exchange, the Central Chamber of Commerce, and the Federation of Finnish Industries, EK, which came into force on July 1, 2004. Changes in corporate governance exacted by the recommendations in the Securities Market Association's Finnish Corporate Governance Code, valid as of January 1, 2009, will be taken into account in the Company's corporate governance during the 2009 financial period. The Corporate Governance Statement, as referred to in the Code, will be given as from the financial statements for 2009.

Shareholders' Meeting

The Shareholders' Meeting is convened by the Company's Board. According to the Articles of Association, the Annual General Meeting ("AGM") shall be held annually within three months after the closing of the financial period, on a day designated by the Board. An Extraordinary Shareholders' Meeting in respect of specific matters shall be held when considered necessary by the Board, or when requested in writing by an auditor of the company or by shareholders representing at least 10 percent of all the issued shares of the company.

The issues decided on by the Shareholders' Meeting include the approval of the financial statements, distribution of profit, amendments to the Articles of Association, granting of release from liability to the members of the Board of Directors and to the President and CEO, the election of the members of the Board and auditor, and their remunerations.

The notice of the Shareholders' Meeting shall be published in at least two daily newspapers, decided upon by the Board and appearing in the Helsinki region, and on the Company's internet pages. The notice specifies the matters to be considered by the meeting as well as the proposals made by the Board to the meeting. The shareholders must register for the meeting in the manner specified in the notice.

The names of candidates for Cargotec's Board are published in connection with the notice of the Shareholders' Meeting, if the candidates have given their consent to their election and the proposal has been made by the Nomination and Compensation Committee of Cargotec's Board, or if the proposal is supported by shareholders representing at least one-tenth of the total voting rights of the Company. The names of any candidates appointed after the notice has been issued will be published separately if the aforementioned conditions are met. Furthermore, the Board Audit Committee's proposal for the auditor will be published in a similar manner prior to the Shareholders' Meeting.

It is the Company's aim that all members of the Board and the President and CEO be present at the Shareholders' Meeting, and that a candidate standing for the Board for the first time attend the Shareholders' Meeting deciding on the election unless he or she has a substantive reason to be absent.

Shareholder Rights

A shareholder has the right to attend the Shareholders' Meeting if he or she has been entered into the register of shareholders at least ten days before the meeting and if the shareholder has declared to the Company his/her intention to attend in the manner specified in the notice of the Shareholders' Meeting. A holder of nominee-registered shares can also attend the Shareholders' Meeting by registering him/herself in the register of shareholders and declaring to the company his/her intention to attend the meeting. A shareholder can attend the Shareholders' Meeting either in person or via a representative authorised by the shareholder. A shareholder has the right to raise issues for consideration by the Shareholders' Meeting if he or she so requests in a written notification to the Board in good time for the matter to be included in the notice of the Shareholders' Meeting. In the Shareholders' Meeting, all shareholders have the right to raise questions and propose resolutions regarding issues on the agenda. A dividend will be paid to any shareholder who is registered in the Company's shareholder register on the record date of the dividend payment.

2008 *The AGM, held on February 29, 2008, decided to amend the Company's articles of association mainly due to the Limited Liability Companies Act that entered into force in 2006.*

Board of Directors

Cargotec's Board includes a minimum of five and a maximum of eight regular members, as well as a maximum of three deputy members. Board members are elected in the AGM for a term of office that expires at the end of the first AGM following the election. The Board elects the Chairman and Deputy Chairman from among its members. The majority of Board members shall be independent of the Company and significant shareholders. During the election of Board members, due attention should be paid to ensuring that members mutually complement one another in terms of experience and expertise in the Company's line of business and its stage of development.

Cargotec's Board is responsible for the management and proper organisation of the Company's operations as well as representing the Company. The duties of the Board are determined on the basis of the Articles of Association and the Finnish Limited Liability Companies Act. The Board has compiled a written charter for its work that defines its main duties and operating principles.

In compliance with the charter, the Board convenes regularly seven times a year, and whenever necessary, by invitation of the Chairman. The Board's responsibilities include approving the Company's financial statements and interim reports, the supervision of accounting and the control of the Company's financial matters, and preparing issues to be presented to the Shareholders' Meeting. The Board also decides on the Company's contributions, loans, and guarantees. The Board elects Cargotec's President and CEO and decides on the related terms of employment. Furthermore, the Board confirms the Company's strategic plans and annual action plans as well as significant acquisitions and investments and approves the Company's risk management principles.

The Board reviews its own performance and procedures once a year through internal self-assessment. Moreover, the Board conducts an annual assessment of the independence of its members.

2008 *Cargotec's AGM confirmed the number of members of the Board as six according to the proposal of the Nomination and Compensation Committee. Henrik Ehrnrooth, Tapio Hakakari, Ilkka Herlin, Peter Immonen and Karri Kaitue were re-elected as regular members of the Board, and Antti Lagerroos was elected as a new member.*

At its organisational meeting, the Board elected Ilkka Herlin to continue as Chairman of the Board and Henrik Ehrnrooth to continue as Deputy Chairman. Kari Heinistö, SEVP, acts as Board secretary.

The members of the Board are independent of the Company and, with the exception of Ilkka Herlin, also independent of significant shareholders in the Company. Ilkka Herlin, Chairman of the Board, is one of the largest owners of Cargotec, holding over 20 percent of the votes and over 10 percent of the shares of the Company.

The Board members are presented on pages 54–55 and their shareholdings on December 31, 2008 on page 51 of this Annual Report. Up-to-date information on the shares and option rights held by Board and management is available on Cargotec's website at www.cargotec.com/investors.

Cargotec's Board convened 9 times during 2008 with an average attendance rate of 96 percent.

Committees of the Board of Directors

Three committees assist Cargotec's Board in its work: the Audit Committee, the Nomination and Compensation Committee, and the Working Committee. The Board elects the members and Chairman of the committees from among its members and confirms the committees' charters. The committees have no autonomous decision-making power. They prepare minutes of their meetings and report to the Board on a regular basis.

Audit Committee

The purpose of the Audit Committee is to assist the Board in fulfilling its responsibility to oversee the management's conduct of the Company's financial reporting process. The Audit Committee directs and supervises internal auditing within the Company in accordance with its charter by, among other activities, assessing the adequacy and appropriateness of the Company's internal control and risk management as well as handling internal audit plans and reports. Furthermore, the Committee prepares a proposal to the AGM regarding the election and fees of the external auditor(s), defines and monitors the non-audit services purchased from the auditing firm in order to avoid jeopardising the auditors' independence and, alongside the auditor, reviews the financial statements and at least one interim report before their submission to the Board. The Audit Committee meetings are attended by the members, the secretary to the Committee, the Company's Director of Internal Audit, the President and CEO, and the representatives of the auditing firm. The Committee convenes without the presence of the Company's management if the matters to be dealt with so require. The Audit Committee consists of a minimum of three Board members.

2008 *Karri Kaitue acted as the chairman of the Audit Committee, while Ilkka Herlin and until Feb 29, 2008 Peter Immonen and Antti Lagerroos as of Feb 29, 2008 acted as members of the Committee. Committee members are independent of the Company and, with the exception of Ilkka Herlin, independent of significant shareholders in the Company. Committee members possess years of experience in business management duties. The Committee convened 4 times during the financial period, and Committee members' attendance rate in meetings was 100 percent.*

Nomination and Compensation Committee

The task of the Nomination and Compensation Committee is to prepare a proposal to Cargotec's AGM concerning the composition and remuneration of the Board. Furthermore, the Committee prepares a proposal to the Board regarding the appointment of the President and CEO and the terms of employment. It is also the Committee's duty to ensure that the resourcing of the Company management is appropriate and that their salary and other terms are competitive. Management here refers to the President and CEO, the Executive Board, and persons reporting primarily to members of the Executive Board. The Nomination and Compensation Committee confirms the appointment of Company management members and considers, principally once a year, their salary adjustments, bonus principles, bonuses earned, and succession planning. Furthermore, the Committee's tasks include preparing and presenting to the Board stock option, share, and other employee incentive programmes as well as preparing proposals concerning the Company's voluntary pension schemes. The Nomination and Compensation Committee consists of a minimum of three Board members. The Committee convenes as needed but at least three times a year.

2008 *Ilkka Herlin acted as chairman of the Nomination and Compensation Committee, while Henrik Ehrnrooth, Tapio Hakakari and Peter Immonen acted as members of the Committee. Committee members are independent of the Company. The Committee convened 5 times during the financial period, and Committee members' average attendance rate in meetings was 85 percent.*

Working Committee

The tasks of the Working Committee are to monitor the Company's financial status, prepare strategic issues for consideration by the Board and monitor their implementation. The Working Committee consists of a minimum of three Board members.

2008 *Ilkka Herlin acted as chairman of the Working Committee, with Tapio Hakakari and Peter Immonen as members. Committee members are independent of the Company. The Committee convened 11 times during the financial period, and Committee members' attendance rate in meetings was 100 percent.*

President and CEO and the Executive Board

The Board elects Cargotec's President and CEO and determines the related terms of employment. Mikael Mäkinen has been Cargotec's President and CEO since 2006.

The President and CEO is responsible for ensuring that the targets, plans, guidelines and goals set by the Board are carried out within Cargotec. The President and CEO also ensures that the accounting practices of the Company comply with the law and that financial

Cargotec's Board of Directors' direct share and option holdings and holdings of controlled corporations on December 31, 2008 as well as changes during the Financial year

	Class A shares	Change	Class B shares	Change	2005A options	Change	2005B options	Change
Ilkka Herlin	2,940,067		4,550,000	189,000				
Henrik Ehrnrooth			60,000					
Tapio Hakakari			152,000	51,100				
Peter Immonen			48,000	14,000				
Karri Kaitue								
Antti Lagerroos*								

* Member of the Board of Directors as of Feb 29, 2008

Cargotec's Executive Board's direct shareholdings, option holdings and holdings of Moving Cargo Oy, a company jointly-owned by the Executive Board, on December 31, 2008 as well as changes during the Financial year

	Class A shares	Change	Class B shares	Change	2005A options	Change	2005B options	Change
Mikael Mäkinen			11,000				1,000	
Pekka Vauramo								
Kari Heinistö			14,000	6,000	0	-1,000	0	-1,000
Lauri Björklund*			300	300				
Harald de Graaf			9,500					
Olli Isotalo			0	-1,360				
Axel Leijonhufvud**								
Kirsi Nuotto								
Eeva Sipilä			5,600					
Matti Sommarberg								
Pekka Vartiainen			11,000	3,000			0	-1,000
Moving Cargo Oy			226,694	142,340			0	-5,500

* Member of the Executive Board until Dec 31, 2008
** Member of the Executive Board as of Jan 1, 2009

matters are handled in a reliable manner. The employment terms of the President and CEO are defined in a written employment contract.

Cargotec's Executive Board comprises the President and CEO, senior executive vice presidents, presidents of business areas, CFO, and senior vice presidents in charge of human resources, supply and operations development, i.e. a total of ten members. The Executive Board monitors business development, initiates actions, and defines operative principles in accordance with guidelines set by the Board. Chaired by the President and CEO, the Executive Board convenes every month and whenever necessary.

The President and CEO and other members of the Executive Board are presented on pages 56–57 of this Annual Report. Their share and option holdings on December 31, 2008 are presented on page 51 of this Annual Report while up-to-date information on these holdings is available on the Company's website at www.cargotec.com/investors.

2008 *On Feb 1, 2008, Cargotec's SEVP Kari Heinistö was appointed to lead the On the Move change programme. Eeva Sipilä was appointed Cargotec's CFO as of Feb 1, 2008. Pekka Vauramo was appointed as Deputy to CEO Mikael Mäkinen as of Dec 18, 2008. In addition, Axel Leijonhufvud was appointed as of Jan 1, 2009 as SVP, Product Supply.*

Compensation

The Shareholders' Meeting decides on the remuneration of members of the Board. Board members are not included in the Company's share-related remuneration schemes.

The Board decides on the remunerations, incentive payments, and other benefits of the President and CEO and the Executive Board on the basis of a proposal made by the Nomination and Compensation Committee. Compensation for the Executive Board comprises a fixed base salary and a bonus, which is based on the achievement of Cargotec's financial and personal targets. For the President and CEO, the maximum annual bonus is 60 percent of the annual salary, and for other members of the Executive Board, 33–50 percent.

Executive Board members are covered by Cargotec's share-based incentive programme for key managers for the period 2007–2011. Potential rewards from the incentive programme are based on achievement of five-year sales and operating income targets as defined in Cargotec's strategy. The rewards will be paid during 2009–2012, partly in class B shares and partly in cash. The cash portion is dedicated to covering possible taxes and tax-related payments resulting from the reward. Shares distributed as a reward will include a prohibition on handing over or selling the shares within one year of the end of any earnings period, with the exception of the final earnings period when no prohibitions are included. The maximum amount to be paid out as shares is 387,500 class B shares currently held by the Company as treasury shares.

The period of notice of the President and CEO is six months and he has the right to compensation for termination of employment of 12 months' salary. He is entitled to a statutory pension. Other members of the Executive Board have a period of notice of 6–12 months and are entitled to compensation for termination of employment corresponding to 6–12 months' salary. One member is entitled to retire at the age of 60. In this case, the pension received corresponds to 60 percent of the total average annual salary excluding share incentive programmes in the last ten full years of service. This arrangement has been covered with insurances taken out by the Company.

2008 *The AGM decided to keep the remunerations of the Board at the previous year's level. The monthly remuneration was EUR 5,000 for the Chairman, EUR 3,500 for the Deputy Chairman and EUR 2,500 for the other Board members. In addition, a remuneration of EUR 500 was paid for attendance of the meetings of the Board and its committees. Expenses were compensated against an invoice. In 2008, a total of EUR 274,520 was paid in Board remunerations.*

The salaries, bonuses and other monies paid to members of the Board, the President and CEO, and the Deputy to CEO during the financial period were EUR 1,514,009. For a more detailed specification of the salaries and remunerations paid to these persons, see Note 32 of the Financial Statements.

The base salary of Cargotec's President and CEO Mikael Mäkinen for the financial year 2008 was EUR 532,958 including benefits. Mäkinen's bonus paid during 2008 was EUR 239,118. He is included in the Company's top management share-based incentive scheme.

The loans Cargotec has granted to Moving Cargo Oy, a company jointly-owned by the Executive Board for the financing of a top management incentive programme, totalled EUR 3.5 million on December 31, 2008. Cargotec has not granted other special benefits nor made other corresponding arrangements with parties belonging to its inner circle. For further information on the terms of the loan, see Note 32.

External Audit

The statutory external audit includes control of accounting, financial statements, and administration for the financial period. In addition to the auditors' report issued annually, the auditors report to the Board on their auditing observations on a regular basis. Cargotec's financial period is the calendar year.

According to the Articles of Association, the Company shall have at least one and a maximum of three auditors. The Auditors shall be authorised public accountants.

The auditors are elected annually by the AGM and their assignment expires at the end of the first AGM following the election. PricewaterhouseCoopers Oy has acted as Cargotec's auditor since the beginning of the company's first financial period, June 1, 2005. Auditors' fees are compensated against an invoice.

2008 *The AGM elected authorised public accountants Johan Kronberg and PricewaterhouseCoopers Oy as Cargotec's auditors according to the proposal of the Audit Committee of Cargotec's Board. PricewaterhouseCoopers nominated Authorised Public Accountant Jouko Malinen as its principal auditor.*

For the financial period, Cargotec companies' audit fees totalled EUR 2.3 (2007: 2.5) million, while EUR 1.5 (2007: 1.9) million was paid in non-audit fees to the auditing firm.

Internal Audit

The Company's internal audit, risks and risk management alongside internal control are described on pages 38–42 of this Annual Report. Financial risks are specified in Note 2 of the Financial Statements.

Code of Conduct

The Code of Conduct, approved and adopted by Cargotec's Board, determines how Cargotec personnel are expected to behave in their daily work, internally with their colleagues, and externally with customers and other stakeholders. The Code explains Cargotec's role as a responsible member of the local and global communities of which the Company forms a part. The Code of Conduct is available on the Company's website at www.cargotec.com/about Cargotec, under the section Sustainable Development.

Insiders

Cargotec applies the insider guidelines of the Helsinki Stock Exchange, in addition to which the Board has approved internal insider guidelines that are based on the Stock Exchange guidelines.

In compliance with the Finnish Securities Markets Act, Cargotec's permanent public insider register comprises, due to their positions, the members of the Board, the President and CEO, the auditors, and members of the Executive Board. Persons employed by the Company who, on account of their position or duties, have regular access to insider information, form Cargotec's permanent company-specific group of insiders. Those persons who, on the basis of an employment or other contract, work for the Company and obtain insider information associated with a specific project, are considered the Company's project-specific insiders. In addition to the public insider register, the Company maintains a permanent company-specific insider register and the project-specific insider register in the Euroclear Finland's (formerly Finnish Central Securities Depository) SIRE system.

Permanent insiders are prohibited from trading in Cargotec's securities for 21 days prior to the publication of Cargotec's interim reports or financial statement releases. Project-specific insiders are prohibited from trading in the Company's securities until the project concerned has been cancelled or disclosed. Cargotec's Legal Department is responsible for adherence to insider guidelines and for monitoring the duty to declare as well as the maintenance of insider registers.

Communications

Cargotec keeps in touch with its stakeholders by means of open communication and dialogue while attending to its stakeholder relations in a sincere, impartial and confidential manner. However, the rules of the Stock Exchange may restrict communications in various ways.

Continuously updated information on Cargotec is available on the Company's website at www.cargotec.com. Stock exchange releases and press releases are available on the Company's website immediately after they have been published. ■

The Board of Directors

Ilkka Herlin
(b. 1959)

Ph.D.

Chairman of the Board

Board member since July 12, 2005
Chairman of Nomination and Compensation Committee and Working Committee
Member of Audit Committee

Chairman of the Board of Directors of Wipunen varainhallinta oy and the Foundation for a Living Baltic Sea
Member of the Board of Directors of D-sijoitus Oy, Mariatorp Oy, WIP Asset Management Ltd and Finnish Foundation for Share Promotion

Chairman of the Board of Directors of WIP Asset Management Ltd, 2000–2005
Member of the Board of Directors of KONE Corporation, 1990–2000

Managing Director of Security Trading Oy, 1987–2000

Henrik Ehrnrooth
(b. 1954)

M.Sc. (Forest Economics), B.Sc. (Econ.)

Deputy Chairman

Independent member

Board member since July 12, 2005
Member of Nomination and Compensation Committee

Chairman of the Board of Directors of Pöyry Plc
Member of the Board of Directors of Oy Forcit Ab and Otava Books and Magazines Group Ltd

Vice Chairman of the Board of Directors of Pöyry Plc, 1997–2003
Executive Board Member of the Pöyry Group, 1996–1997
Chairman of the Board of Directors of Jaakko Pöyry Holding Oy, 1995
Vice Chairman of the Board of Directors of Finvest Plc, 1995–1998

Chief Executive Officer of the Pöyry Group, 1986–1995
President of PEN, Pöyry & Nokia Advanced Engineering, 1984–1985
Employed by the Pöyry Group, 1979–

Tapio Hakakari
(b. 1953)

Master of Laws

Independent member

Board member since July 12, 2005
Member of Nomination and Compensation Committee and Working Committee

Chairman of the Board of Directors of Enfo Oyj and Esperi Care Oy,
Member of the Board of Directors of Etteplan Oyj, Martela Oyj and Havator Holding Oy

Director, Secretary to the Board of Directors of KONE Corporation, 1998–2006
Director Administration of KCI Konecranes Plc, 1994–1998
Worked for KONE Corporation, 1983–1994

Peter Immonen
(b. 1959)

M.Sc. (Econ.)

Independent member

Board member since July 12, 2005
Member of Nomination and Compensation Committee and Working Committee

Chairman of the Board of Directors of WIP Asset Management Oy

Vice Chairman of the Board of Directors of the Foundation for a Living Baltic Sea

Member of the Board of Directors of Mariatorp Oy, Wipunen varainhallinta oy and the Finnish Shareholders Association

Karri Kaitue
(b. 1964)

LL. Lic.

Independent member

Board member since July 12, 2005
Chairman of Audit Committee

Vice Chairman of the Board of Directors of Okmetic Group and Outotec Oyj

Employed by Outokumpu Group since 1990: Deputy Chief Executive Officer of Outokumpu Group and Vice Chairman of the Group Executive Committee

Antti Lagerroos
(b. 1945)

LL.Lic.

Independent member

Board member since February 29, 2008
Member of Audit Committee

Chairman of the Board of Wärtsilä Corporation since 2003
Member of the Board of Wärtsilä Corporation since 2002
Member of the Supervisory Board of Ilmarinen Mutual Pension Insurance Company since 1996

President & CEO and Member of the Board of Finnlines Plc 1990–2007
Employed by Nokia Corporation 1984–1990

Executive Board

Mikael Mäkinen

(b. 1956)

President and CEO,
M.Sc. (Eng.) Naval Architect

Employed by Cargotec Corporation since 2006

Primary working experience:
Employed by Wärtsilä Corporation 1982–2006:
Group Vice President, Ship Power, 1999–2006
Managing Director, Wärtsilä NSD Singapore, 1997–1998
Vice President, Marine, Wärtsilä SACM Diesel, 1992–1997

Current key positions of trust:
Member of the Board of Directors of Glaston Corporation, Volvo Penta AB and Technology Industries of Finland. As of Jan 1, 2009 Member of the Board of Directors of ICC Finland and Deputy Chairman of the Board of Directors of Finpro

Kari Heinistö

(b. 1958)

Senior Executive Vice President,
M.Sc. (Econ.)

Employed by Cargotec Corporation since 1983

Primary working experience:
Chief Financial Officer, Cargotec Corporation, 1993–2000

Current key positions of trust:
Member of the Board of Directors of Suomen Autoteollisuus Oy,
Deputy Charmain of Association of Finnish Deference and Aerospace Industries,
Member of the Board of Directors of Scout Foundation

Eeva Sipilä

(b. 1973)

CFO,
M.Sc. (Econ.), CEFA

Employed by Cargotec Corporation since 2005

Primary working experience:
SVP, IR & Communications, Cargotec Corporation, 2005–January 2008
VP, Investor Relations, Metso Corporation, 2002–2005
Equity Analyst, Mandatum Stockbrokers Ltd (Sampo Bank plc),1999–2002

Pekka Vartiainen

(b. 1956)

President,
Hiab Business Area
M.Sc. (Eng.)

Employed by Cargotec Corporation since 2003

Primary working experience:
Employed by ESAB Corporation 1983–2003:
Regional Director, Scandinavia, 2000–2003
President, Oy ESAB, 1998–2003
President, ESAB Nederland B.V., 1995–1998

Pekka Vauramo

(b. 1957)

Senior Executive Vice President,
Deputy to CEO

President,
Kalmar Business Area
M.Sc. (Mining)

Employed by Cargotec Corporation since 2007

Primary working experience:
Employed by Sandvik 1985–2007:
President of the Underground Hard Rock Mining division of Sandvik Mining and Construction (SMC) and member of SMC management team
Sandvik Country Manager in Finland, 2005–2007
President of TORO Loaders division of SMC, 2003–2005
President of Drills division of SMC, 2001–2003

Olli Isotalo
(b. 1959)

President, MacGREGOR Business Area
M.Sc. (Eng.)

Employed by Cargotec Corporation since 1993

Primary working experience:
President, Bromma Conquip AB, 2003–2006
Managing Director, Velsa Oy, 1999–2002
VP, Technology and Production Development, Kalmar Industries AB, 1997–1999

Harald de Graaf
(b. 1965)

President, Cargotec Services,
B.Sc. (Eng)

Employed by Cargotec Corporation since 2006

Primary working experience:
Employed by KONE Corporation 1987–2006:
Managing Director, KONE Ireland Ltd., 2004–2006
Vice President Marketing, New Equipment Business, 2000–2004
Product Marketing Manager, 1997–2000

Axel Leijonhufvud
(b. 1961)

Senior Vice President, Product Supply, (as of Jan 1, 2009)
M.Sc. (Mechanical engineering)

Employed by Cargotec Corporation since 2007

Primary working experience:
Vice President Product Supply, Kalmar, 2007–2008
Vice President Components, Ruukki Engineering, Sweden, 2005–2006
CEO, Weibulls group, 2000–2005
Managing Director, Weibulls Sweden AB, 1996–2000
Production Manager, Saint-Gobain Isover AB, Sweden, 1995–1996

Kirsi Nuotto
(b. 1959)

Senior Vice President, Human Resources,
M.A. (French, Communications)

Employed by Cargotec Corporation since 2006

Primary working experience:
Employed by GlaxoSmithKline Finland 2001–2006:
Human Resources and Customer Education Director, 2006
Human Resources and Communications Director, 2004–2005
Human Resources Director, 2001–2004
Director, Global Education, Datex-Ohmeda, 1998–2001

Matti Sommarberg
(b. 1961)

Senior Vice President, Operations Development,
M.Sc. (Eng.), M.Sc. (Econ.)

Employed by Cargotec Corporation since 1985

Primary working experience:
Vice President, Business and Operations Development, Kalmar, 1998–2006
Senior Vice President, EMEA, Sisu Terminal Systems, 1997
Senior Vice President, MHE Business, Sisu Terminal Systems, 1994–1996

Current key positions of trust:
Member of the Board of Directors of FIMECC Oy

Financial Statements

Board of Directors' Report

Operating Environment

The markets for load handling equipment were strong in Europe for the first part of the year but weakened significantly during the second half as a result of a general slowdown in construction-related customer segments. In the United States, demand for load handling equipment was slack throughout the year. However, there are opportunities in government business as various countries are looking for ways to boost economic growth. In Asia Pacific, growth remained healthy, with the exception of Japan.

The markets for container handling equipment remained healthy until the last quarter, during which the economic uncertainty began to be reflected in customers' investment decisions. The markets for reachstackers, straddle carriers and rubber-tyred gantry (RTG) cranes were active. Demand for medium and light fork lift trucks as well as terminal tractors in mature markets slackened towards the end of the year. Port operators' interest in automation continued with several automation projects in simulation and planning phase.

The markets for marine cargo flow systems and offshore solutions were strong throughout the year, which can be seen in the high number of orders received. However, the turbulence in the financial markets and lower ship capacity utilisation slowed down new ship orders towards the end of the year. Market uncertainty was increased by speculation relating to cancellations of already placed ship orders.

Demand for services remained favourable, the economic downturn having no significant effect on activity. Customers are increasingly interested in improving their operational flexibility. In emerging markets, high usage rates of equipment supported demand for services. Service demand in Europe was healthy. In the US, weak economic environment affected demand for services.

Orders Received

Orders received in 2008 totalled EUR 3,769 (4,106) million. Especially, the boom in shipbuilding boosted the orders received by MacGREGOR during January–September. The value of orders secured by Cargotec during the fourth quarter was down to EUR 633 (1,214) million reflecting the sharply increased economic uncertainty.

Hiab

Of total orders received, Hiab accounted for EUR 818 (985) million while its share of orders received in October–December was EUR 157 (254) million. Major part of the orders Hiab secured were small individual orders, which is typical of its operations. Orders received have declined as a result of a drop in demand in construction-related customer segments in the US and also in Europe during the second half of the year.

During the fourth quarter, Hiab received an order for over EUR 16 million from the Iraqi Ministry of Electricity. This order includes 95 loader cranes and cargo bodies assembled on trucks. Most of the deliveries will take place during 2009. In addition, Hiab received an order for 21 hooklifts and 9 loader cranes from the Finnish Army and an order for 100 demountables and 20 loader cranes to be installed by Hiab from the Dutch Fire Brigade and Highway Police.

In September, Hiab received a significant order from BAE Systems Inc. in the US for 428 loader cranes and 32 hooklifts. Delivery of the equipment started during the fourth quarter of 2008, with most of the deliveries taking place during 2009.

During the second quarter, Hiab booked an order for 90 demountables to be delivered to the United Kingdom's Ministry of Defence. Furthermore, Hiab delivered demountables and deep waste collection units to the Olympic Village in Beijing, China.

Kalmar

Of total orders received, Kalmar accounted for EUR 1,566 (1,429) million while its share of orders received in October–December was EUR 348 (346) million. Several orders include navigation, container position verification and remote monitoring systems developed by Kalmar. Order intake for reachstackers was on a record high level during 2008.

During the fourth quarter, Kalmar was awarded a new five-year contract to supply Rough Terrain Container Handlers (RTCH) to the US Department of Defence. This new contract was awarded by the Tank-Automotive Armament Command (TACOM) and is structured to have multiple delivery order releases over the term of the contract. The value of the initial delivery orders will be around EUR 100 million and the equipment will be delivered during 2009–2010. The total value of the five-year contract is estimated to be over EUR 300 million.

During the second half, Kalmar additionally received several orders for E-One+ rubber-tyred gantry cranes (RTG), straddle carriers and terminal tractors. During the first half of 2009, four E-One+ rubber-tyred gantry cranes (RTG) will be delivered to the Evyap Port in Turkey and during the third quarter, two E-One+ rubber-tyred gantry cranes (RTG) to the Port of Koper's container terminal in Slovenia, eight to the Port of Kumport in Turkey and four to the Port of Livorno, Italy.

Orders for straddle carries were received from the United Kingdom, Greece and Australia. Two of the 15 straddle carries being delivered to DP World Southampton and one of the six being delivered to Tilbury Container Services during the first half of 2009 will be fitted with Kalmar's new hybrid technology, while the remainder are capable of being upgraded to hybrids in the future. During the first half of 2009, an additional 10 straddle carriers will be delivered to the Piraeus Port Authority in Greece. Four new automatic straddle carriers will be brought into service at the Fisherman Islands container terminal in Brisbane, Australia by September 2009. Some 42 terminal tractors were delivered to the Port of Salalah in Oman by the end of 2008.

During the third quarter, Kalmar booked a significant order for E-One+ rubber-tyred gantry cranes (RTG) from South Africa. A total of 32 RTGs will be delivered to Transnet Port Terminals in Cape Town, South Africa starting in the summer of 2009 with the last units arriving in autumn 2010.

During the financial period, Kalmar also received an order of seven E-One+ rubber-tyred gantry cranes (RTG) and 10 reachstackers from Indian Arshiya International. The delivery of this equipment started at the end of 2008.

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

In May, Kalmar received an order for 30 straddle carriers from Transnet Port Terminals (TPT) of South Africa. The deliveries to TPT's container terminal in the Port of Durban began in the summer, with the final units arriving in January 2009.

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

During the first quarter, Kalmar received E-One+ rubber-tyred gantry crane (RTG) orders from, for example, Vietnam, Thailand, India, Brazil and Morocco. Kalmar will deliver 17 of these cranes to Vietnam International Container Terminals' Ho Chi Minh City facility between 2008 and 2010. LCMT Company Ltd. from Thailand ordered six RTGs for its terminal at the Port of Laem Chabang. The cranes are due to for delivery by March 2009. Kalmar will also deliver 11 RTGs to Gateway Terminals India at Nhava Sheva in January 2009. South America's largest container terminal operator, Santos Brasil S/A, ordered 12 RTGs for delivery by March 2009. Furthermore, Somaport operating in the port of Casablanca, Morocco, ordered ten RTGs to be delivered in early 2009.

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

MacGREGOR

Of total orders received, MacGREGOR accounted for EUR 1,393 (1,696) million while its share of orders received in October–December was EUR 129 (616) million. The drop in orders received during the fourth quarter reflected the exceptional shipbuilding boom of the past couple of years clearly slowing down. Also the global economic slowdown at the end of the year created a situation of overcapacity in many ship types, which has lead ship owners to reconsider their investment plans.

During the fourth quarter, MacGREGOR received orders worth nearly EUR 30 million from China for ten shipsets of cranes, hatch covers and fixed container fittings. This equipment will be delivered in 2010–2011.

During the third quarter, MacGREGOR received significant hatch cover, ship crane and RoRo equipment orders from Korea, Singapore, China and Japan. Hatch covers will be delivered for 39 container ships. An order of new ship cranes and hatch covers for four heavy-lift vessels was received from Singapore. RoRo equipment and hoistable car decks will be delivered for 16 pure car/truck carriers in 2009–2011.

In August, the Offshore division received a major order for two active heave compensated offshore cranes from Finnish Finstaship. The cranes will delivered during the second half of 2010.

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

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

In May, the Offshore division received a crane order from the US-based Edison Chouest Offshore. The cranes will be delivered by the first quarter of 2009. Furthermore, a large number of orders were received, in particular for davits, for delivery during 2008–2009.

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

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

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

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

Cargotec Services

The services market continued to be active, which was reflected in the demand for maintenance, modernisation contracts and spare parts. Maintenance contracts were received from European as well as emerging market customers in for example India, Russia and Africa. Cargotec continued to enhance its service network.

An order for annual maintenance of some 600 loader cranes was received from Electricité Réseau Distribution France.

The market for ship conversions was very active and several orders were received for delivery during 2008–2009. However, the economic uncertainty slowed down demand during the second half. The hatch cover conversion order received from Everlast Shipping S.A. in Greece in September was cancelled. Contracts received during May include one for the supply of electrically driven hoistable car decks for Finnlines' two RoRo vessels, as well as a contract for the conversion of a vessel's control systems.

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

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

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

During the first quarter, a major maintenance contract for ship unloaders was received from the Philippines.

Order Book

Cargotec's order book totalled EUR 3,054 (2,865) million on December 31, 2008. Of the order book, Hiab accounted for EUR 164 (260) million, Kalmar EUR 704 (660) million, and MacGREGOR EUR 2,187 (1,946) million. Order cancellations booked in MacGREGOR in the fourth quarter totalled EUR 119 million. *Key figures on financial performance, including comparison data, are shown in their entirety under the section "Key Figures" of the Financial Statements.*

Sales

Cargotec's sales grew by 13 percent and totalled EUR 3,399 (3,018) million. Sales derived from 2008 acquisitions were EUR 32 million. Sales growth is a result of increased delivery volumes in Kalmar and MacGREGOR and growth in service. Sales growth was strongest in Asia Pacific.

Sales for the fourth quarter were EUR 924 (868) million. Hiab's sales amounted to EUR 216 (244) million, Kalmar's EUR 413 (364) million and MacGREGOR's EUR 298 (261) million. Hiab's sales declined due to the weakened market in Europe during the second half of the year. Kalmar's and MacGREGOR's sales grew as a result of strong order intake and increased deliveries.

Sales from services increased by 15 percent year-on-year and amounted to EUR 871 (757) million, representing 26 (25) percent of total sales. This growth was boosted by strong demand for spare parts and maintenance agreements. Services accounted for 23 (17) percent of January–December sales at Hiab, 29 (30) percent at Kalmar, and 23 (25) percent at MacGREGOR.

Financial Result

Cargotec's financial result reflects a year of two very distinct halves, in which the first half was characterised by soaring demand, which then plummeted due to the global financial crisis and slowing markets especially in Hiab.

Cargotec's operating profit for 2008 totalled EUR 173.7 (203.1) million. The operating profit includes EUR 19 million of costs and asset write-downs booked in the fourth quarter from the restructuring actions initiated in September. The 2007 comparison operating profit includes the cost of EUR 18 million in Kalmar business area related to a container spreader inspection and repair programme booked in the fourth quarter.

Excluding restructuring costs the operating profit for 2008 was EUR 192.8 (203.1) million, representing 5.7 (6.7) percent of sales. The operating profit includes a EUR 8.3 (9.9) million cost impact from the purchase price allocation treatment of acquisitions and EUR 9 million in costs from the On the Move change programme.

Operating profit for the fourth quarter excluding the EUR 19 million restructuring costs and write-downs was EUR 35.9 (46.3) million, equal to 3.9 (5.3) percent of sales. Hiab accounted for EUR 3.7 (19.1) million of the fourth quarter operating profit, Kalmar for EUR 12.1 (26.9) million, and MacGREGOR for EUR 30.7 (22.3) million.

Of Cargotec's business areas, MacGREGOR improved its profitability from the previous year, recording a record result for the final quarter; major business growth has been achieved during the last two years, alongside an improvement in profitability.

Kalmar's operating profit for the year includes a significant amount of expenses due to cost overruns in projects. During the year, project cost provisions of EUR 16 million were booked in the business area's operating profit: EUR 4 million for the first quarter, EUR 5 million for the third and EUR 7 million for the fourth.

Capacity utilisation rates were lowered by a major slowdown in the European market during the third quarter, clearly eroding the profitability of Hiab in the second half of the year. Hiab's operating profit was further burdened by the slower and more-expensive-than-expected ramp-up of Hiab's component plant extension in Narva, Estonia.

In both Hiab and Kalmar, raw material and material costs continued to rise in the second half which, alongside faltering demand, affected profitability. Clear signs of falling costs, due to reductions in raw material prices, and lower capacity utilisation rates among subcontractors, only emerged at the very end of the year.

Due to weakening markets, September saw the initiation of a restructuring programme, the original reduction forecasts of 700 employees being increased to almost 1,000. These measures were aimed at adjusting capacity in Hiab to the prevailing market situation and improving both Hiab's and Kalmar's profitability. Moreover, an annual profitability improvement of around EUR 25 million in addition to capacity adjustments is being sought through the cost saving programme. The related costs and write-downs are estimated at approximately EUR 35 million. Of these, EUR 19 million was booked in the final quarter of 2008, including EUR 3 million in write-downs. The remainder is expected to incur in early 2009.

Net income for 2008 was EUR 120.8 (138.4) million and earnings per share EUR 1.91 (2.17).

Balance Sheet, Financing and Cash Flow

Cargotec's net working capital grew and, by December 31, 2008, amounted to 324 (253) million. Capital remained employed in components and unfinished products. On the other hand, advance payments received as order confirmations from MacGREGOR's customers had a positive impact on net working capital. Advances received totalled EUR 420 (244) million at the end of the year. Tangible assets on the balance sheet were EUR 284 (254) million and intangible assets EUR 754 (751) million.

Cash flow from operating activities before financial items and taxes was EUR 133.8 (235.1) million. In January–December, the dividend payment totalled EUR 66.6 (63.8) million and acquisitions amounted to EUR 46.5 (172.5) million. Net debt was EUR 478 (326) million on December 31, 2008, including EUR 555 (488) million in interest-bearing debt. The total equity/total assets ratio was 33.0 (38.3) percent while gearing increased to 55.3 (36.3) percent.

Cargotec's financing structure is healthy. Interest-bearing debt consists mainly of long-term corporate bonds maturing from the year 2012. On December 31, 2008, Cargotec had EUR 635 million of unused credit facilities.

Return on equity for the financial year was 13.7 (15.6) percent and return on capital employed was 12.7 (16.8) percent.

New Products and Product Development

In 2008, Cargotec's research and product development expenditure was EUR 47.0 (46.4) million, representing 1.4 (1.5) percent of sales.

In April, Cargotec opened an engineering centre in Pune, India, providing engineering resources in emerging markets in support of product development that better responds to local needs. The engineering centre has been established as a resource pool for Cargotec R&D centres around the world. It covers various engineering activities from drafting to structural analysis as well as software engineering. The unit employed almost 40 engineers at the end of the year.

In September, Hiab expanded its crane offering with a solution that fulfils the new EU-standard and enables using truck-mounted cranes to lift personnel baskets.

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

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

Kalmar launched in 2008 the Pro Future™ concept encompassing all of its environmentally friendly equipment. This equipment will be rated against five ecological decision-making drivers: source of power, energy efficiency, emissions, noise pollution and recyclability.

The first two Pro Future™ solutions launched were an AC electrical forklift truck for empty container handling and a hybrid straddle carrier. Kalmar received the first order for a hybrid straddle carrier during the third quarter. These Pro Future™ solutions were followed in the third quarter by a variable speed rubber-tyred gantry crane and a variable speed electric straddle carrier. During the fourth quarter, Kalmar introduced an additional two new Pro Future™ solutions: an automatic stacking crane and a ship-to-shore crane with regenerative energy source.

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

During 2008, Kalmar introduced a new medium range terminal tractor offering better ergonomics and driver comfort as well as lower noise levels than earlier models, also an electric forklift truck was launched in the medium lift range.

MacGREGOR continued to develop electronically operated cargo handling solutions and a new ship crane control system. The Offshore division focused on the development of deck equipment enabling the use of cranes in difficult weather conditions and when operating in deep waters. In September, MacGREGOR signed the first contract to deliver totally electrically-driven sets of RoRo equipment to two pure car/truck carriers.

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

Capital Expenditure

Cargotec's capital expenditure for 2008, excluding acquisitions and customer financing, totalled EUR 76.8 (53.2) million. Investments in customer financing were EUR 35.9 (37.5) million.

The decision was taken to concentrate Hiab's crane manufacture in Europe in three factories, entailing the closure of production at the Salo plant in Finland. A further decision was taken to wind down the manufacture of truck-mounted forklifts in Ohio, USA, and focus production in Cargotec's common production unit in Kansas, USA.

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

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

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

In March, MacGREGOR opened a new offshore equipment production unit in Tianjin, China. The new unit also enables production optimisation and efficiency improvements in the offshore production units of Norway and Singapore. Part of offshore cranes production were moved from Norway to Singapore to make room for the increased production of bigger size cranes in Norway.

On the Move Change Programme

In January, Cargotec announced the launch of an extensive On the Move change programme aiming at a profitability improvement of EUR 80–100 million. The change programme aims to form a basis for profitable growth through improved customer focus and efficiency. The projects in the first phase have focused on streamlining support functions and company structure as well as initiating IT projects that improve efficiency. In Finland, Sweden, Singapore and USA, operations began in Cargotec country companies.

In order to improve closeness to customers Hiab, Kalmar and MacGREGOR changed their structure towards more customer oriented organisations during the reporting period.

During the second half, the focus was on developing the global supply footprint closer to customers as well as towards lower cost environments. For this implemention, Cargotec established a common corporate level Supply organisation, which is responsible for sourcing and supply for the business areas.

The first joint supply chain projects are proceeding in China and Estonia. The production capacity in Shanghai, China will be doubled. The expansion will include moving Hiab's assembly unit to the same site as the existing Kalmar facility. The capacity and productivity of the production unit in Narva, Estonia, acquired in 2007, has been upgraded. As part of the actions to improve the supply chain, Cargotec is planning to establish a new assembly factory in Poland mainly for Kalmar equipment.

Acquisitions

During January–December, Cargotec completed eight acquisitions, of which four were in Hiab's business area.

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

In October, Kalmar acquired 80% of two Italian service companies, CVS Technoports S.r.l. and CVS Service S.r.l. Subsequent to the transaction, the companies work under the name Officine Cargotec Ferrari and the companies focus on developing the service offering towards container and material handling customers in Italy. The two companies' combined sales turnover in 2007 was approximately EUR 8 million and the companies employ 65 people.

In August, Kalmar signed an agreement to acquire Argentina-based Equipos y Servicios para Terminales y Puertos SRL. The company has been Kalmar's dealer for Argentina, Uruguay and Paraguay. In addition to new equipment distribution, the company provides equipment commissioning, technical and spare part support, and equipment repair and refurbishment in South America. The company's sales in 2007 were around EUR 1 million and it employs 17 people.

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

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

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

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

In April, MacGREGOR signed an agreement to acquire US-based Platform Crane Service, Inc. The sales of the company in 2007 totalled USD 16 million and the company employs 105 persons.

Employees

On December 31, 2008, Cargotec employed 11,826 (11,187) people. Due to the restructuring measures, the number of employees declined by 370 people mainly in Finland and Sweden. Hiab employed 4,308 (4,418) people, Kalmar 4,766 (4,459), and MacGREGOR 2,577 (2,223). The average number of employees during 2008 was 11,777 (10,276).

Of Cargotec's total employees, 13 (14) percent were located in Finland, 20 (22) percent in Sweden and 30 (30) percent in the rest of Europe. North and South American personnel represented 11 (11) percent, Asia Pacific 24 (22) percent and the rest of the world 2 (1) percent of total employees. 15 (15) percent of the personnel were female and 85 (85) percent male. 3 (3) percent of Cargotec's total employees worked part time and 97 (97) percent full time.

Salaries and remunerations to employees totalled EUR 387 (356) million for the financial period.

As a result of lower demand and profitability, Cargotec initiated restructuring measures in September, mainly in Western Europe and North America. These measures aim at adjusting capacity in Hiab to the prevailing market situation and improving Hiab's and Kalmar's profitability. The negotiations ended by the end of the year resulted in a reduction of 954 employees: 271 in Finland, 241 in Sweden, 117 in the USA, 91 in the Netherlands and a total of 234 in other countries. Hiab saw 635 employee reductions, Kalmar 309 and corporate functions 10.

Restructuring continued after the end of the financial year, due to the further weakening of the markets.

Implementation of the new people strategy, approved by Cargotec's Board in 2007, was enhanced in the reporting period. Special focus areas included support for employee and change management, the development of leadership skills and human resources competence development, alongside committing the best talents. During the financial year, a uniform operating model and a global matrix organisation were created for human resources (HR) management in line with the One the Move change programme. The comprehensive introduction of shared HR management processes and tools was reinforced globally. Additionally, Cargotec's key HR policies were renewed during the year.

Environment

Cargotec's environmental policy defines the environmental principles. The main environmental effects of Cargotec's operations are related to the use of its products. For this reason, the Company focused on indentifying product-based environmental perspectives in 2008.

In 2008, Cargotec introduced its new subcontractor criteria in which environmental safety, occupational health and safety and quality issues have been taken into account more extensively than before.

Cargotec's strategic business development goals support the creation of holistic, sustainable, long-term solutions for customers. In product development, environmental considerations form an integral part of planning and manufacturing. In the service business, the focus is on extending product life cycles while an extensive service network helps uphold efficient operating characteristics. In addition to product development and services, Cargotec is seeking to train its customers to use Cargotec equipment so that safety and environmental matters reach an optimal level.

Energy efficiency, safety and the prevention of oil leakages represent key focus areas in Cargotec's product development. In 2008, Cargotec determined a clear environmental criterion for energy efficiency, according to which it undertakes to reduce the use of fossil fuels by 10 percent in its equipment over the next 6–10 years. A major step was taken in environmental impact assessment when Kalmar, partly as a result of the aforementioned commitment, launched its Pro Future™ environmental criteria.

The most significant environmental effects associated with Cargotec's processes are related to those originating from the operations of the various business units as well as transportation and commuting to and from work. The certified ISO 9001 and ISO 14001 quality and environmental management systems form the basis of Cargotec's environmental management, and regular internal and external audits and management audits are aimed at monitoring the achievement of the related objectives.

Cargotec continued to build certified management systems into its production units with the aim of creating an operational model that helps to identify the most important environmental effects and respond to them in all units. Eight of Hiab's 16 production units and two of its sales companies apply environmental management systems certified under ISO 14001. These systems cover approximately 80 percent of the sales of Hiab's production units. Six of Kalmar's seven production units apply certified environmental management systems, these systems covering also approximately 80 percent of the sales of Kalmar's production units. MacGREGOR commissions most of its products from selected partners independently responsible for their production processes. Operational guidelines related to the management of environmental issues are included in the quality systems of most MacGREGOR units.

Furthermore, an extensive environmental assessment was conducted in 14 production units in accordance with a programme introduced in 2007. This involved the evaluation of management systems, facilities and production from the viewpoint of their environmental effects while taking into account the units' operating environment. Extensive soil cleaning work was carried out in two Cargotec sites in 2008 as a result of industrial activities that had taken place in those sites earlier.

Internal Control and Risk Management

Cargotec's President and CEO and the Executive Board are responsible for the methods, implementation and supervision of risk management, and report on these to the Board of Directors. The Corporate risk management function is responsible for the development of comprehensive risk management. This is supported by the creation of Corporate-wide risk management principles, practices and risk reports, the development of tools and the application and adoption of these tools. Business areas and units are responsible for assigning, managing and reporting the risks involved in their own operations. The Corporate Treasury function manages financial risks centrally. Cargotec has an internal auditing function which is responsible for internal control and business risk auditing. The Internal Audit unit operates under the supervision of the President and CEO and the Board of Directors' Audit Committee, reporting regularly to the Audit Committee on its operations and audit results.

Cargotec began the systematic development of its internal control in 2007. Cargotec's Board of Directors approved the internal control policy in 2008. Responsibility for internal control at Cargotec is divided into three tiers. Line management is primarily responsible for internal control. It is aided by Corporate support functions, which define policies and instruct on and supervise risk management. Internal and external audits form the third tier, their task being to ensure that the first two tiers are functioning effectively. As Cargotec becomes more harmonised, its capabilities for the development and implementation of risk management will be further improved. The goal is that, besides general risk management principles and guidelines, Cargotec also has risk management tools that facilitate practical work and which are implemented throughout the Company. During the year, Cargotec has developed a basic risk management tool, the application and adoption of which will be studied in the operations, business projects and risk reporting of the business units.

Cargotec defines a risk as any internal or external threat or uncertainty which may prevent or jeopardise operations and the achievement of objectives. Risks are divided risks into strategic and business risks, financial risks and operational and hazard risks.

Strategic and business risks are related to business cycles in the world economy and Cargotec's customer sectors, the availability of raw materials and components and trends in the related prices, mergers and acquisitions and the operations of dealers and subcontractors. Cargotec addresses these risks by striving to identify them and prepare for them in advance.

Cargotec's treasury operations and financial risk management principles are defined in the Corporate Treasury Policy. Financial risks arising from Cargotec's business activities include currency, interest rate, refinancing and liquidity, counterparty and operative credit risks. The Company seeks to protect itself against these risks in order to ensure a financially sound basis for developing its business operations. *For a more detailed description of financial risks, see Note 2 of the Financial Statements.*

Operational risks relate to persons, property, processes, products, information technology and practices. Cargotec's main activities related to the management of these risks are related first and foremost to increasing product safety and information security and ensuring business continuity. With respect to key person risks, succession plans for leadership and key assignments are updated on an annual basis, for the purpose of ensuring continuity in operations.

Cargotec's main hazard risks include risks related to personnel, property, business interruptions and logistics. In addition to preventive risk management measures, Cargotec protects itself against these risks by taking out worldwide insurance policies that cover all units.

Shares, Share Capital and Option Rights

Cargotec's share capital on December 31, 2008 totalled EUR 64,304,280. The share capital increased by EUR 83,907 during the financial period as a result of the subscription for class B shares under Cargotec option rights.

On December 31, 2008, the number of listed class B shares totalled 54,778,191 while that of unlisted class A shares totalled 9,526,089. Class B shares accounted for 85.2 (85.2) percent of the total number of shares and 36.5 (36.5) percent of votes. Class A shares accounted for 14.8 (14.8) percent of the total number of shares and 63.5 (63.5) percent of votes. The total number of votes attached to all shares was 15,002,201 (14,994,074) at the year end. At the end of the financial period, Cargotec held a total of 2,990,725 class B shares, which corresponds to 4.7 percent of the total number of shares and 2.0 percent of votes.

In a distribution of dividends, the dividend paid on the class B shares is higher than that on the class A shares. The difference between the dividends paid on the different classes of shares is at minimum one (1) percent and at maximum two and one half (2.5) percent, calculated from the accounting par value of the share.

Trading with 2005A option rights ended on March 20, 2008. The remaining 2005B option rights may be used to subscribe for a further 104,730 class B shares, thereby increasing Cargotec's share capital by EUR 104,730. The said number of shares that can be subscribed for under the remaining option rights constitutes 0.2 percent of Cargotec's total number of shares and 0.07 percent of the total number of votes. *For a more detailed description of the option programme, see Note 24 of the Financial Statements.*

Market Capitalisation and Trading

The closing price of Cargotec's class B shares on December 31, 2008 was EUR 8.09. The average share price for January–December was EUR 21.47, the highest quotation being EUR 36.49 and the lowest EUR 7.63. The share price dropped 74 percent during the financial period. In January–December, approximately 86 million Cargotec class B shares were traded on the NASDAQ OMX Helsinki, corresponding to a turnover of approximately EUR 1,868 million. The average daily trading volume of class B shares was 338,722 shares or EUR 7,381,727.

On December 31, 2008, the total market value of Cargotec class B shares was EUR 419 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 financial period, was EUR 495 million, excluding treasury shares held by the Company.

Loans, Liabilities and Commitments to Persons Belonging to the Company's Inner Circle

The loans Cargotec has granted to Moving Cargo Oy, a company jointly-owned by the Executive Board for the financing of a top management incentive programme, totalled EUR 3.5 million on December 31, 2008. Cargotec has not granted other special benefits nor made other corresponding arrangements with parties belonging to its inner circle. *For further information on the terms of the loan, see Note 32, "Related-party transactions"*.

Changes in Cargotec's Management

On December 18, Cargotec's Board of Directors appointed Pekka Vauramo as Senior Executive Vice President and Deputy to CEO Mikael Mäkinen. Vauramo continues to be responsible for the Kalmar business area.

Axel Leijonhufvud was appointed as Senior Vice President, Product Supply, starting from January 1, 2009. Leijonhufvud was earlier responsible for product supply in Kalmar and was Chairman of Kalmar's RTCH (Rough Terrain Container Handling) board at Cargotec Corporation. Lauri Björklund, Senior Vice President, Production and Purchasing, was appointed as Senior Vice President, Corporate Development Projects as of January 1, 2009.

On February 1, 2008, Cargotec's Senior Executive Vice President Kari Heinistö was appointed to lead the On the Move change programme. He continues as a member of the Executive Board and secretary to Cargotec's Board of Directors. Eeva Sipilä was appointed as Cargotec's CFO as of February 1, 2008. Minna Karhu was appointed as Vice President, Corporate Communications of Cargotec as of February 1, 2008.

Board of Directors and the President and CEO

The election of the members of the Board of Directors, and of the auditor, and their remunerations, as well as on changes in the Articles of Association are decided by the General Meeting of Shareholders. The Board of Directors elects Cargotec's President and CEO and determines the term of employment. The period of notice of the President and CEO is six months and he has the right to a compensation for termination of employment of 12 months.

Decisions Taken at Cargotec Corporation's Annual General Meeting

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

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

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

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

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

Authorisations Granted by the Annual General Meeting

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

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

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

Organisation of the Board of Directors

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

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

Share Repurchases

Cargotec's Board of Directors decided to exercise the authorisation of the AGM to acquire the Company's own shares. In accordance with the authorisation class B shares were purchased at public trading in the NASDAQ OMX Helsinki at the market price.

A total of 1,086,000 own shares were repurchased during the period March 25–August 23, 2008 at an average price of EUR 21.73. Cargotec held a total of 2,990,725 class B shares on December 31, 2008. *For further information on Board authorisations for the purchase of shares, see the section "Shares and Shareholders".*

Short-term Risks and Uncertainties

Due to the financial crisis, the global economic situation is marked by huge uncertainty. Cargotec's operations are subject to significant short-term risks and uncertainty factors, specifically related to the effects of the slump on demand for Cargotec's products and services and the willingness of customers to invest. The fact that many factors underlying this uncertainty are beyond the control of the Company merely serves to amplify the challenge confronting risk analysis.

Prolonged uncertainty and credit drought increases the risk of lower, general willingness to invest and consequently demand for Cargotec's equipment could further decrease. Shipbuilding in particular has been affected by significant order cancellations due to lower shipping utilisation rates combined with major increases in financing costs. The credit crunch may also see other customer groups move their investment decisions back or cancel orders. Furthermore, customers' and suppliers' financial situations will affect the collection of receivables and the level of bad debt.

Lower demand will require additional capacity adjustment measures. Further falling off of demand at a faster rate than the implementation of capacity cuts will have a negative impact on performance.

Events After the Reporting Period

Staff reductions continued in January as the markets continued to weaken. In the unit manufacturing tail lifts in Bispgården, Sweden, negotiations began on the need for a reduction in the workforce of 75. At Kalmar's Ljungby and Lidhult units in Sweden, negotiations began on the need for a reduction in the workforce of 97. Cargotec plans to make its operations more efficient by reorganising and transferring a majority of its business in Ljungby to its Lidhult facility. Meanwhile, in Finland negotiations began for planned temporary lay-off of 900 staff for a maximum of 90 days in Raisio and Tampere and a reduction of 60 staff in Tampere.

Board of Directors' Proposal on the Distribution of Profit

The parent company's distributable equity on December 31, 2008 was EUR 959,964,211.07 of which net income for the period was EUR 158,536,423.21 The Board of Directors will propose to the Annual General Meeting convening on March 5, 2009, that of the distributable profit, a dividend of EUR 0.59 per each of the 9,526,089 class A share and EUR 0.60 per each 51,787,466 class B share outstanding be paid, totalling EUR 36,692,872.11. The rest of the distributable equity, EUR 923,271,338.96 will be retained and carried forward.

No significant changes have occurred in the Cargotec's financial position after the end of the financial year. The liquidity is good and, in the Board of Director's view, the proposed distribution of dividend does not pose a risk to the Company's financial standing.

Outlook

In the current uncertain economic situation it is difficult to estimate the demand for Cargotec's products. This is further complicated by possible order cancellations and delays. The preconditions for sales growth exist in services and MacGREGOR. Sales of Hiab and Kalmar are expected to decline from 2008. Significant restructuring measures costing EUR 35 million were decided on during 2008 to create a new supply platform and improve profitability in Cargotec. Focus is on the rapid implementation of these measures. Approximately EUR 16 million of these costs remain for 2009.

Annual General Meeting

Cargotec Corporation's Annual General Meeting will be held at the Marina Congress Center in Helsinki on Thursday, March 5, 2009 at 2 p.m

Helsinki, February 2, 2009
Cargotec Corporation
Board of Directors

Consolidated Financial Statements (IFRS)

Consolidated Income Statement

MEUR	Note	Jan 1–Dec 31, 2008	%	Jan 1–Dec 31, 2007	%
Sales	3, 5	**3,399.2**		**3,018.2**	
Cost of goods sold		-2,762.5		-2,376.8	
Non-recurring items*		-		-18.0	
Gross profit		**636.7**	**18.7**	**623.4**	**20.7**
Other operating income	6	39.1		26.8	
Selling and marketing expenses		-189.9		-197.4	
Research and development expenses		-43.6		-38.9	
Administration expenses		-212.0		-176.1	
Restructuring costs	7	-19.1		-	
Other operating expenses	6	-38.0		-34.9	
Share of associated companies' and joint ventures' net income		0.6		0.3	
Operating profit	3, 8, 9	**173.7**	**5.1**	**203.1**	**6.7**
Financing income	10	16.0		16.7	
Financing expenses	10	-44.5		-35.5	
Income before taxes		**145.2**	**4.3**	**184.4**	**6.1**
Taxes	11	-24.4		-46.0	
Net income for the period		**120.8**	**3.6**	**138.4**	**4.6**
Net income for the period attributable to:					
Equity holders of the Company		118.4		136.5	
Minority interest		2.4		1.8	
Total		**120.8**		**138.4**	
Earnings per share for profit attributable to the equity holders of the Company:	12				
Basic earnings per share, EUR		1.91		2.17	
Diluted earnings per share, EUR		1.91		2.16	

* Kalmar business area related container spreader inspection and repair programme

Consolidated Balance Sheet

MEUR	Note	Dec 31, 2008	Dec 31, 2007
Assets			
Non-current assets			
Goodwill	13	669.2	670.2
Other intangible assets	14	85.0	81.0
Property, plant and equipment	15	283.5	253.7
Investments in associated companies and joint ventures	16	7.0	4.8
Available-for-sale investments	17, 20	2.0	2.3
Loans receivable and other interest-bearing assets 1)	20	7.7	5.5
Deferred tax assets	18	97.2	55.5
Derivative assets	30	55.0	8.9
Other non-interest-bearing assets	20, 21	8.1	12.0
Total non-current assets		**1,214.6**	**1,094.0**
Current assets			
Inventories	19	881.9	657.4
Loans receivable and other interest-bearing assets 1)	20	0.2	0.4
Income tax receivables		18.5	18.3
Derivative assets	30	130.4	50.8
Accounts receivable and other non-interest-bearing assets	20, 21	714.0	582.8
Cash and cash equivalents 1)	20, 22	79.2	179.0
Total current assets		**1,824.3**	**1,488.7**
Total assets		**3,038.9**	**2,582.6**

1) Included in interest-bearing net debt

MEUR	Note	Dec 31, 2008	Dec 31, 2007
Equity and liabilities			
Equity attributable to the equity holders of the Company			
Share capital		64.3	64.2
Share premium account		98.0	97.4
Treasury shares		-93.6	-70.0
Translation differences		-20.4	-29.6
Fair value reserves		-54.5	19.9
Retained earnings		861.6	808.7
Total equity attributable to the equity holders of the Company	23, 24	**855.3**	**890.6**
Minority interest		9.1	6.1
Total equity		**864.4**	**896.7**
Non-current liabilities			
Loans 1)	20, 25	440.2	433.3
Deferred tax liabilities	18	43.0	38.5
Pension obligations	26	33.5	35.2
Provisions	27	34.6	38.4
Derivative liabilities	30	84.5	14.9
Other non-interest-bearing liabilities	20, 28	26.6	53.2
Total non-current liabilities		**662.5**	**613.6**
Current liabilities			
Current portion of long-term loans 1)	20, 25	4.0	3.5
Other interest-bearing liabilities 1)	20, 25	110.6	51.6
Provisions	27	70.4	70.8
Income tax payables		53.2	46.9
Derivative liabilities	30	129.3	17.6
Accounts payable and other non-interest-bearing liabilities	20, 28	1,144.4	882.0
Total current liabilities		**1,512.0**	**1,072.4**
Total equity and liabilities		**3,038.9**	**2,582.6**

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 December 31, 2008, EUR 10.2 (Dec 31, 2007: 21.9) million.

Consolidated Statement of Changes in Equity

	Attributable to the equity holders of the Company								
MEUR	Share capital	Share premium account	Treasury shares	Translation differences	Fair value reserves	Retained earnings	Total	Minority interest	Total equity
Equity on Dec 31, 2006	**64.0**	**96.0**	**-23.9**	**-12.0**	**10.5**	**734.2**	**868.8**	**8.0**	**876.8**
Gain/loss on cash flow hedges booked to equity*					18.5		18.5	0.0	18.5
Gain/loss on cash flow hedges transferred to IS					-9.1		-9.1	0.0	-9.1
Translation differences				-17.6			-17.6	-0.7	-18.3
Net income recognised directly in equity	-	-	-	-17.6	9.4	-	-8.2	-0.7	-8.9
Net income for the period						136.5	136.5	1.8	138.4
Total recognised income and expenses for the period	-	-	-	-17.6	9.4	136.5	128.4	1.1	129.5
Dividends paid						-63.2	-63.2	-0.5	-63.7
Shares subscribed with options	0.2	1.3					1.5		1.5
Acquisition of treasury shares			-46.1				-46.1		-46.1
Share-based incentives, value of received services*						1.2	1.2		1.2
Other changes							-	-2.5	-2.5
Equity on Dec 31, 2007	**64.2**	**97.4**	**-70.0**	**-29.6**	**19.9**	**808.7**	**890.6**	**6.1**	**896.7**
Gain/loss on cash flow hedges booked to equity*					-103.6		-103.6	0.4	-103.2
Gain/loss on cash flow hedges transferred to IS					29.2		29.2		29.2
Translation differences				9.2			9.2	0.6	9.8
Total net income recognised directly in equity	-	-	-	9.2	-74.5	-	-65.3	1.0	-64.2
Net income for the period						118.4	118.4	2.4	120.8
Total recognised income and expenses for the period	-	-	-	9.2	-74.5	118.4	53.2	3.4	56.6
Dividends paid						-65.3	-65.3	-0.6	-66.0
Shares subscribed with options	0.1	0.6					0.7		0.7
Acquisition of treasury shares			-23.6				-23.6		-23.6
Share-based incentives, value of received services*						-0.2	-0.2		-0.2
Other changes							-	0.2	0.2
Equity on Dec 31, 2008	**64.3**	**98.0**	**-93.6**	**-20.4**	**-54.5**	**861.6**	**855.3**	**9.1**	**864.4**

* Net of tax

Consolidated Cash Flow Statement

MEUR	Note	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007
Net income for the period		120.8	138.4
Depreciation and impairments		60.1	59.8
Financing items and taxes		52.9	64.7
Change in receivables		-171.2	-118.4
Change in payables		309.3	198.5
Change in inventories		-237.5	-107.6
Other adjustments		-0.6	-0.4
Cash flow from operations		**133.8**	**235.1**
Interest received		4.9	5.6
Interest paid		-25.5	-12.0
Dividends received		0.0	0.0
Other financial items		11.2	-12.5
Income taxes paid		-30.7	-43.6
Cash flow from operating activities		**93.7**	**172.6**
Capital expenditure		-113.2	-90.8
Proceeds from sales of fixed assets	15	15.0	12.5
Acquisitions, net of cash	4	-46.5	-172.5
Cash flow from investing activities, other items		-10.5	-13.5
Cash flow from investing activities		**-155.1**	**-264.3**
Proceeds from share subscriptions		0.7	1.5
Acquisition of treasury shares		-23.6	-46.1
Proceeds from long-term borrowings		0.7	274.5
Repayments of long-term borrowings		-2.4	-29.5
Proceeds from short-term borrowings		61.3	40.8
Repayments of short-term borrowings		-32.0	-31.5
Dividends paid		-66.6	-63.8
Cash flow from financing activities		**-61.9**	**145.9**
Change in cash		**-123.3**	**54.2**
Cash, cash equivalents and bank overdrafts at the beginning of period	22	167.5	114.5
Effect of exchange rate changes		1.7	-1.1
Cash, cash equivalents and bank overdrafts at the end of period	22	**45.9**	**167.5**
Bank overdrafts at the end of period		33.3	11.4
Cash and cash equivalents at the end of period		**79.2**	**179.0**

Notes to the Financial Statements

1. Accounting Principles for the Consolidated Financial Statements

General Information

Cargotec Corporation is a limited liability company domiciled in Helsinki, Finland. The registered address is Sörnäisten rantatie 23, 00500 Helsinki, Finland. Cargotec is the world's leading provider of cargo handling solutions whose products are used in the different stages of material flow in ships, ports, terminals, distribution centres and local transportation.

Cargotec Corporation was formed through the demerger of Kone Corporation on June 1, 2005 when it also was listed on the Helsinki Stock Exchange. Cargotec comprises three business areas: Hiab, Kalmar and MacGREGOR. After becoming listed on the stock market, Cargotec has been developed through acquisitions and by strengthening the service offerings provided by the business areas.

These consolidated financial statements were approved for publishing by the Board of Directors on February 2, 2009. Pursuant to the Finnish Limited-liability Companies Act the shareholders have the right to approve or reject the financial statements in the General Meeting held after their publication. The General Meeting also has the right to amend the financial statements. A copy of the annual report is available on Internet at www.cargotec.com and a copy of the consolidated financial statements and parent company's financial statements from Cargotec Corporation's head office, at Sörnäisten rantatie 23, 00500, Helsinki, Finland.

Accounting Principles

Cargotec Corporation's consolidated financial statements have been prepared according to the International Financial Reporting Standards (IFRS) approved by the European Union. Financial information is presented in millions of euros and business transactions are based on purchase method unless otherwise stated. All figures presented have been rounded and consequently the sum of individual figures may deviate from the presented sum total.

Cargotec has applied the following new and amended standards and interpretations as of January 1, 2008:

- IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The interpretation provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. Cargotec has defined benefit pension arrangements, but the adoption of the interpretation does not have a material effect on the financial statements.
- IAS 39 (Amendment) and IFRS 7 (Amendment), 'Reclassification of financial assets' permits an entity to reclassify non-derivative financial assets in particular circumstances and with certain criteria. In case of reclassification, additional disclosures are required. The amendments have no material impact on 2008 financial statements, as Cargotec had no such assets whose reclassification management estimated to be necessary.

Consolidation Principles

The consolidated financial statements include the parent company Cargotec Corporation and the companies, which it owns directly or indirectly (by holding more than 50% of the voting rights or in which it otherwise exercises control). Inter-company shareholdings have been eliminated using the purchase method. Investments in associated companies (in which Cargotec holds 20–50% of the voting rights or exercises significant influence) and joint ventures (joint control with third parties) are accounted for in the consolidated financial statements under the equity method.

All inter-company transactions, receivables, liabilities, unrealised profits and distribution of profits within Cargotec are eliminated in the consolidated financial statements. Distribution of net income for the period to the equity holders of the parent company and to minority interest is presented in the income statement. Equity attributable to minority interest is disclosed as a separate item in the equity.

Subsidiaries acquired during the financial period are included in the consolidated financial statements from the date of obtaining control, and divested subsidiaries up to the date of handing over control.

Foreign Currency Transactions

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. Open foreign-currency denominated receivables and liabilities at the end of the financial period, both intragroup and external, are translated using the exchange rate of the balance sheet date. Foreign exchange gains and losses related to normal business operations are treated as adjustments to sales or costs. Foreign exchange gains and losses associated with financing are included in financial income and expenses.

Exchange differences arising on a loan agreement that forms part of a net investment in a foreing subsidiary are recognised initially in translation differences under equity, and reclassified from equity to profit or loss on disposal of the net investment.

Foreign Subsidiaries

Items of each subsidiary included in the consolidated financial statements are measured using the currency that best reflects the operational environment of that subsidiary ("the functional currency"). The consolidated financial statements are presented in euros, which is the functional and reporting currency of the parent company.

The income statements of subsidiaries whose functional currency is other than euro are translated into euros using the average exchange rate of the financial period. Balance sheet items, with the exception of net income for the financial period, are translated into euros with the balance sheet date exchange rate. Translation differences caused by different exchange rates are recorded in equity.

Translation differences caused by elimination of shareholdings in foreign subsidiaries and translation differences from equity items recognised after the acquisition date are recorded as a separate item under equity. When a subsidiary is sold, accumulated translation differences are recognised in the income statement as part of the gain or loss on the sale.

Segment Reporting

The primary segment reporting format is business segments and the secondary format is geographical segments. Business segments produce products and services subject to risks and returns that are different from those of other business segments. Secondary segments are the main market areas where products and services are subject to risks and returns that are different from those of segments operating in other economic environments. Sales are reported by the geographical location of the customer while assets and capital expenditure by the geographical location of the assets.

Revenue Recognition

Sales includes revenues from goods and services sold net of sales taxes, discounts and translation differences from foreign currency denominated revenues. Revenues from goods sold are recorded after the significant risks and rewards have been transferred to the buyer and Cargotec no longer has authority or control over the goods. Usually this means the moment when goods have been handed over to the customer in accordance with the agreed contractual terms.

Revenue from repair work is recognised when the work has been carried out and revenues from short-term services when the service has been rendered. Income from the leases is recognised on a straight-line basis over the lease term.

Revenue from separately identified long-term contracts is recorded as sales under the percentage of completion method when the outcome of the project can be measured reliably. The percentage of completion is determined by reference to the individual contract costs incurred to date as a percentage of the total estimated contract costs. When the conditions for percentage of completion method are not met costs are recognised as incurred and revenues to the extent that corresponding costs are expected to be recovered. Possible contract losses are recognised as an expense immediately.

Research and Development Costs

Research and development costs are mainly expensed when incurred since the future financial benefits of new products are proven at such a late stage that the portion to be activated is immaterial and hence, the cost are not activated. However, development cost fulfilling predetermined financial and technical feasibility criteria are activated. Development costs activated in the balance sheet consist mainly of materials, supplies, direct labour costs and the related overhead costs. These are depreciated on a straight-line basis over their economic useful life.

Income Tax

Tax expenses in the income statement include taxes on the taxable income of Cargotec companies for the period, tax adjustments for previous financial periods and the change in deferred taxes. The income tax effects of items recognised directly under equity are recognised similarly directly under equity. Deferred tax assets or liabilities consist of temporary differences between financial reporting and the taxation calculated based on the effective prevailing tax rates. Temporary differences arise from e.g. defined benefit pension plans, provisions, elimination of inter-company inventory profits, depreciation differences in tangible assets, untaxed reserves, tax losses carried forward and fair value adjustments in the assets and liabilities of acquired companies. Deferred tax assets relating to tax losses carried forward and other temporary differences are recognised only to the extent that it is probable that future taxable profits will be available against which unused tax losses can be utilised.

Goodwill

Acquired companies are accounted for using the purchase method according to which the assets and liabilities of acquired company are measured at fair value upon the date of acquisition. Goodwill represents the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities. Goodwill is tested for impairment at least annually by using the value-in-use method in which goodwill is allocated to cash-generating units. Goodwill is stated at cost less any impairment losses. Impairment losses are recognised in the income statement.

Other Intangible Assets

Other intangible assets include patents, trademarks, licenses, software, acquired order books and customer relationships. Intangible assets acquired in a business combination are valued at fair value on the acquisition date. Intangible assets with definite useful lives are stated at cost less accumulated amortisations and impairment losses, if any. These assets are amortised on a straight-line basis over their useful lives, which typically do not exceed 10 years. Trademarks with indefinite useful lives are not amortised but are tested for impairment using value-in-use method. Impairment losses are recognised in the income statement.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciations and impairment losses, if any. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, on each balance sheet date. Depreciation is recorded on a straight-line basis over the expected economic useful life of assets as follows:

Buildings	5–40 year
Machinery and equipment	4–10 year

Land and water areas are not depreciated.

Ordinary maintenance and repairs costs are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the asset's carrying amount and is depreciated over the expected economic useful life of the asset.

Gains and losses on sales of property, plant and equipment are included in operating income.

Financing costs

Financing costs are charged to the income statement during the financial period in which they are incurred.

Impairments

The carrying amounts of non-current assets and other balance sheet items are reviewed for potential impairment an annual basis. Should any indication arise, the asset is tested for impairment. An impairment tests determines the recoverable amount of an asset which is the net selling price or the higher cash flow based value in use. An impairment loss is charged to the income statement when the carrying amount exceeds the recoverable amount.

A previously recognised impairment loss is reversed only if there has been a significant change in the estimates used to determine the recoverable amount, but not to an extent higher than the carrying amount that would have been determined had no impairment loss been recognised in prior years.

Goodwill and intangible assets with indefinite useful lives are tested for impairment when any indication of impairment exists, at least annually. Goodwill is allocated to the cash-generating units (CGU) of Cargotec, identified according to the business segment level at which goodwill is monitored for internal management purposes. The recoverable amount of a CGU is determined by value-in-use calculations. In assessing the recoverable amount, estimated future cash flows are discounted to their present value based on the weighted average cost of capital prevailing in Cargotec for the currency area in which the cash-generating unit can be considered to be located. The weighted average cost of capital reflects Cargotec's average, long-term financial structure of Cargotec and shareholder risk premium. Impairment losses recognised under goodwill in the income statement are not reversed.

Leases, Cargotec as lessee

Cargotec has rented property, plant and equipment. Lease agreements in which the lessor bears the ownership risks and rewards are classified as operating leases. Operating lease expenses are charged to the income statement on a straight-line basis over the lease period.

Lease agreements in which Cargotec has substantially all of ownership risks and rewards are classified as finance leases. Finance lease agreements are entered into the balance sheet as assets and liabilities upon the inception of the lease period, at of the fair value of the leased equipment or the estimated present value of the minimum lease payments, whichever is lower. Assets acquired under finance lease agreements are depreciated over the useful life of the asset or the lease period, whichever is shorter. Lease payments are allocated between repayment of the lease liability and finance charge, so as to achieve a constant interest rate on outstanding balance. Lease obligations, net of finance charges, are included in interest-bearing liabilities.

Leases, Cargotec as lessor

In operating leases the risks and rewards attendant on the ownership of an asset remain with the lessor. The leased asset is recognised on the balance sheet according to the nature of the asset. Income from operating leases is recognised on a straight-line basis over the lease term. The depreciation of the leased asset is consistent with the normal depreciation policy of similar assets.

In finance leases, the risks and rewards of ownership are transferred to the lessee. The selling profit is recognised similarly to profit from an outright sale. Finance lease receivables are recognised on balance sheet at present value. Financial charges relating to the finance lease contract are recognised in the income statement over the lease term so as to achieve a constant interest rate on the outstanding balance.

Customer Finance

Trade finance arrangements are used in certain customer segments, distribution channels and geographical markets. In these arrangements Cargotec, the seller of the equipment, is involved in arranging financing with a financing partner for the customer and/or the dealer. Trade finance contracts are classified as operating or finance lease contracts, hire purchase contracts or loans with similar features.

Revenue recognition and balance sheet treatment of sales transactions that include end customer or dealer financing depend on the true nature of the transaction, i.e. how risks and rewards related to ownership are divided between Cargotec, the customer and the financing partner.

Inventories

Inventories are measured at the lower of cost or estimated net realisable value, whichever is lower. Cost is determined using standard cost, which approximates actual cost on the first-in- first out (FIFO) basis. The cost of finished goods and work in progress includes raw materials, direct labour, other direct costs and a proportion of indirect costs related to manufacturing and overheads. An allowance is recorded for obsolete items. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and costs necessary to making the sale in question.

Financial assets and liabilities

Financial assets

Financial assets are classified as financial assets recorded at fair value through profit or loss, loans and other receivables recognised at amortised cost, held-to-maturity investments or financial assets available-for-sale. The classification of assets is performed upon the initial purchase and determined in line with the aim of the asset. Assets with maturities under 12 months are included in balance sheet under current assets, and those with maturities over 12 months under non-current assets, except for derivative instruments recorded at fair value through profit or loss, which are included in current assets regardless of maturity.

The financial assets recorded at fair value through profit or loss include derivative instruments to which hedge accounting is not applied. These are measured at fair value without the impact of possible transaction costs. The changes in fair value are recognised in the income statement.

Loans and other receivables at amortised cost are not quoted in the market and are not kept for trading purposes. Loan receivables are measured at amortised cost using the effective interest method. Transaction costs directly attributable to the acquisition or issue of the financial asset are included in the initial recognised amount. Impairment losses are recognised in the income statement if the carrying amount of the loan receivable is greater than the estimated recoverable amount.

Accounts receivable are recorded at original invoiced amount less an estimated valuation allowance for impairment. An allowance is recognised when there is objective evidence that Cargotec will not be able to collect all amounts due. Held-to-maturity investments are valued at accrued cost. There were no held-to-maturity investments on the balance sheet date.

Financial assets available-for-sale consist of investments in shares or interest-bearing assets. Current financial assets available-for-sale are valued at fair value. Changes in fair values are booked in the fair value reserve in equity, taking the tax effect into account. Changes in fair values are transferred from equity to the income statement when the investment is sold or when there is objective evidence that the fair value has decreased in such a way that recognition of an impairment loss is required. Impairment of interest-bearing assets can be reversed through the income statement if the fair value of the asset increases due to event occurring after the recognition of the impairment loss. Impairment on investments in shares cannot be reversed.

Purchases and sales of derivative instruments are recognised on the trade-date, while the other financial asset categories are recognised on the settlement date.

Cash and Cash Equivalents

Cash and cash equivalents include cash balances, short-term deposits with banks and other short-term liquid investments with maturity up to three months. Bank overdrafts are included in other current interest-bearing liabilities. In the cash flow statement bank overdrafts are deducted from cash and cash equivalents.

Financial Liabilities

Financial liabilities are classified as financial liabilities recorded at fair value through profit or loss, or financial liabilities recognised at amortised cost. Liabilities with maturities of under 12 months are included in the balance sheet under current liabilities, and those with maturities of over 12 months under non-current liabilities, except for derivative instruments recorded at fair value through profit or loss, which are included under current liabilities regardless of maturity.

Financial liabilities recorded at fair value through profit or loss consist of derivative instruments to which hedge accounting is not applied. They are measured at fair value without the impact of possible transaction costs. Changes in fair value are recognised in the income statement.

Financial liabilities recognised at amortised cost are initially recognised in current and non-current liabilities at fair value, net of any transaction costs incurred. This category includes interest-bearing and non-interest-bearing payables. Interest and transaction costs are accrued and recorded in the income statement over the period of the loan payable using the effective interest rate method.

Derivative Financial Instruments and Hedge Accounting

On the date of entry into a derivative contract, Cargotec designates it as either a) cash flow hedge of highly probable operative cash flow or cash flow from a firm commitment, b) fair value hedge of loan or deposit, an other balance sheet item or firm commitment in foreign currency, c) hedge of investment in a foreign entity or as d) derivative not qualifying for hedge accounting. At the balance sheet date all derivative instruments fell into the categories of cash flow hedges or derivatives not qualifying for hedge accounting.

Derivative instruments, to which hedge accounting is applied, and for which the underlying cash flow matures after twelve months, are included in non-current assets and liabilities. Other derivative instruments are included in current assets and liabilities.

Derivative instruments are initially recognised on the balance sheet at cost, which equals the fair value, and are subsequently measured at fair value on each balance sheet date. Fair values of FX forward contracts and forward rate agreements are based on quoted market rates on the balance sheet date. The fair values of cross-currency and interest rate swaps are calculated as the present value of the estimated future cash flows. Options are valuated based on generally accepted valuation models. No options or forward rate agreements were in use on the balance sheet date.

Hedge accounting in accordance with IAS 39 is applied to hedges of operative cash flows and hedges of cash flows associated with foreign currency denominated borrowings. To qualify for hedge accounting the Company documents the hedge relationship of the derivative instrument and the underlying hedged item, the Company's risk management targets and the strategy of applying hedge accounting. When starting hedge accounting and at least upon every interim closing of the accounts the Company documents and estimates the effectiveness of the hedge by measuring the ability of the hedging instrument to offset any changes in the fair value of the underlying asset or cash flow.

Changes in the fair value of effective cash flow hedges under hedge accounting are recognised in equity in fair value reserves. The ineffective portion is recognised immediately in the income statement. Cumulative gains or losses on the hedge deferred to equity are recognised in the income statement as adjustment of the underlying hedged item when the underlying hedged item is recognised. The cumulative change in the fair value of hedging instruments relating to operative items that no longer expected to materialise are recognised immediately in the income statement under other operating expenses. When the hedging instrument is sold, the contract is revoked or exercised or the relation of the hedging instrument and the underlying item is revoked or exercised or the relationship between the hedging instrument and the underlying item is revoked, the cumulative change in the fair value of the hedging instrument is booked as a separate item under equity and is recognised in the income statement when the underlying operative item materialises.

Changes in the fair value of derivatives that qualify as fair value hedges are recorded in the income statement together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. Any gain or loss on effective hedges of net investments in foreign operations is recognised under equity through the statement of changes in equity. Gains and losses accumulated under equity on an efficient portion of the hedging instrument are transferred to the income statement when the foreign operation is disposed of.

Changes in the fair values of hedges, to which hedge accounting is not applied, are recognised in the income statement, either in operative income and expenses, or financial income and expenses depending on the underlying exposure.

Dividends

The dividends proposed by the Board of Directors are not recognised in the financial statements until approved by the Company's shareholders at the Annual General Meeting.

Pension obligations

Cargotec operates various pension plans in accordance with local conditions and practices. The plans are classified as either defined contribution plans or defined benefit plans. Contributions to the defined contribution plans are charged directly to the income statement on the year to which these contributions relate.

Defined benefit plans are funded through payments to insurance companies or pension funds as determined by actuarial calculations. The liability of defined benefit pension plan is the present value of future obligations less the fair value of plan assets together with adjustments for unrecognised actuarial gains or losses. Pension costs assessed by annual actuarial calculations are recognised in the income statement over the expected average remaining working lives of the employees. The liability of defined benefit pension plan is determined by projected unit credit method. The yield of a high quality bond issued by a corporate or government is used as discount factor in net present value calculation. Unrecognised actuarial gains or losses are booked in the income statement over the expected average remaining working lives of the employees to the extent that they exceed which ever is greater 10% of the liability or 10% of the fair value of plan assets.

Provisions

Provisions are recognised when Cargotec has a current legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are accounted for using the best estimate for the costs required to settle the obligation on the balance sheet date. If the time value of money is significant the provision is stated at present value of estimated costs.

Provisions for warranties cover the estimated costs of repairing or replacing products still under warranty on the balance sheet date. Provisions for warranty are calculated based on historical experience of levels of repairs and replacements.

A provision is recorded for a loss-making contract when the costs required to fulfil the commitment exceed the gain expected from the contract.

A restructuring provision is recorded when Cargotec has prepared a detailed restructuring plan and started the implementation of, or communicated, the plan. A restructuring plan consists of at least the following information: business which is affected by the restructuring, the main units affected by the restructuring, the location, job descriptions and estimated number of employees who will receive compensation for termination of employment as well as costs to be incurred and the timetable of the plan. No provision is made for expenses related to the continuing operations.

Treasury shares

When the company purchases shares in Cargotec Corporation, the consideration paid and directly attributable costs are recognised as a deduction in equity. When such shares are sold, the consideration received, net of directly attributable transaction costs and income tax effect, is included in equity.

Share-based payments

Cargotec has applied IFRS 2 (Share-based Payment) to option plans where options have been granted and vesting period has been started after the formation of the Company on June 1, 2005.

Options are valued at fair value on the grant date and recognised as an expense in the income statement during the vesting period. For equity-settled share-based payment transactions (e.g. share options), a corresponding increase is recorded under equity. For cash-settled share-based payment transactions (e.g. synthetic options), a corresponding debt is recorded. The cost of the options determined upon the grant date reflects Cargotec estimate of the number of options that will ultimately vest at the end of the share-based payment's vesting period. The fair value of the options is determined on the basis of market prices or Black-Scholes -option pricing model. Non-market criteria are not included in the fair value of the option but taken into account in the number of options assumed have been vested at the end of the vesting period. Upon each closure of the accounts, Cargotec updates its estimate of the final amount of the options to be rested. In equity-settled share-based payment transactions the fair value of the options is adjusted after the vesting date only if the aforementioned estimate changes. Cash-settled share-based payment transactions are remeasured at fair value during each financial period until the liability is settled. Any changes in estimates and fair values are recorded in the income statement over the vesting period.

When the options are exercised, the proceeds, net of any transaction costs, are credited to the share capital (accounting par value) and share premium account.

Use of Estimates

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards which require that Cargotec's management make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities upon the date of financial statements, and the reported amounts of income and expenses during the financial period. These estimates are based on management's best knowledge of current events and actions and actual results may differ from the estimates. Accounting estimates are employed in the financial statements to determine reported amounts, including the impairment of goodwill and other assets, the useful lives of tangible and intangible assets, and provisions and taxes.

Revenue recognition

The completed contract method is Cargotec's main revenue recognition principle. The percentage of completion method is applied to separately identified long-term contracts. Completion is generally measured by reference to cost incurred to date as a percentage of estimated total project costs. The margin is recognised prudently in accordance with the historical variations in pre- and post calculations. If there is any uncertainty about the margin costs are recognised when incurred and, no profit is recognised. Possible contract losses are immediately recognised as an expense and recognised revenues and profits are subject to revisions during the project in the event that the assumptions regarding the overall project outcome are revised. Changes in cost structure may affect the total cost and hence the amount to be recognised as expenses. The percentage of completion method is only used when a reliable estimate of the stage of completion can be made.

Taxes

Recognition and the carrying amount of deferred tax assets are reviewed in particular. Cargotec considers whether it is probable that the subsidiaries will have sufficient taxable profits against which unused tax losses or unused tax credits can be utilised.

Provisions

A reliable estimate of the amount to be provided is a prerequisite for booking a provision. The amount recognised is the best estimate of the expenditure required to settle the present obligation on the balance sheet date. Estimates of the outcome and financial effect require the judgement by the management, based on similar transactions and, in some cases, statements from independent experts. The provisions are reviewed and adjusted regularly to reflect the current best estimate.

Business Combinations

The measurement of fair value of assets acquired through business combinations is based on the market value of similar assets (tangible assets), or an estimate of expected cash flows (intangible assets). The management trusts the estimates and assumptions to be sufficiently reliable for determining fair values.

Impairment testing

The book values of assets are reviewed regularly, at least annually, in order to assess whether an asset has been impaired. In assessing impairment both external and internal sources, of information are considered. External sources include a significant decline in market value that is not result of the passage of the time or a normal use of the assets or increase in interest sales. Internal sources of information include evidence of the obsolescense of, or physical damage to, an asset when the recoverable amount of an asset is less than the carrying amount, an impairment loss is recognised as an expense immediately, and the carrying amount is reduced to the asset's recoverable amount.

Adoption of New or Revised IFRS Standards

In 2009 Cargotec will adopt the following new and amended standards and interpretations by the IASB published in 2007.

- IAS 1: Presentation of Financial Statements. The revised standard requires non-owner changes in equity to be presented separately from owner changes in equity. It has impact on the presentation of Financial Statements in 2009.
- IAS 23: Borrowing Costs. The amended standard requires that the costs, including borrowing costs, that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. In previous years, Cargotec has expensed such borrowing costs when incurred. The amendment is estimated to have no material impact on the coming financial statement.
- IFRS 2: Share-based payments -Vesting Conditions and Cancellations: The amended standard clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions.
- IFRS 8: Operating segments. The standard requires that the

segment information in the financial statements should be based on the management reporting of the Company. The application of IFRS 8 has no material impact of the presentation of the segment information, as the previously presented segment information was based on the required management reporting structure.

- IAS 1: Presentation of Financial Statement and IAS 32: Financial Instruments: Presentation. – Puttable Financial Instruments and Obligations Arising on Liquidation. The amended standards require certain puttable financial instruments to be categorised as equity, whereas they were previously categorised as liability.
- Amendments to IFRS 1: First-time Adoption of International Financial Reporting, and to IAS 27: Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate. The amendments are applicable to first-time adopter of IFRS, and have therefore no impact on Cargotec Financial Statements.
- IFRIC 12: Service Concession Arrangements. Cargotec has no such arrangements, and the interpretation has no impact on the financial statements.
- IFRIC 13: Customer Loyalty programmes. Cargotec has no such programmes, and the interpretation has no impact on the financial statements.
- IFRIC 15: Agreements for the Costruction of Real Estate. The interpretation provides guidance on how to determine whether IAS 18: Revenue or IAS 11: Construction Contracts should be applied to particular transactions. The interpretation may be applied to the delivery of other goods or services. Management estimates the interpretation has no material impact on the financial statements.
- IFRIC 16: Hedges of a Net Investment in a Foreign Operation. The interpretation clarifies the accounting for the hedge of a net investment in a foreign operation in an entity's consolidated financial statements. Management estimates the interpretation has no material impact on the financial statements.

The following standards and interpretations have been published, but they are not in force 2008 and they will not be applied in 2009

- IAS 27: Consolidated and Separate Financial Statements. The amended standard requires that the changes in a parent company's ownership interest that do not result in a loss of control are accounted for as equity transactions. If the control is lost, the remaining investment should be measured at fair value at the date that the control is lost and any resulting gain or loss should be recognised in profit or loss. The respective accounting will be applied to associated companies and jointly controlled entities.
- IFRS 3: Business Combinations. The revised standard includes several significant changes, which have impact on accounting of goodwill and sales profit or loss resulting from disposal of businesses. The changes have impact on profit and loss in the acquisition year and in the years when additional earn-outs are paid or additional acquisitions performed.
- IAS 39 (amendment), "Financial instruments: Recognition and measurement – Eligible Hedged Items" prohibits designating inflation as a hedgeable component of a fixed rate debt. It also prohibits including time value in the one-sided hedged risk when designating options as hedges.

Pro forma accounting principles

Cargotec was listed on June 1, 2005 and the Company's first financial period was June 1–December 31, 2005. The annual report presents pro forma comparison figures for those periods for which official comparative figures are not available. Pro forma figures present Cargotec's financial information based on its business and corporate structure at the time of the listing to facilitate the financial evaluation of the Company. Hence, MacGREGOR's marine cargo flow business acquired in spring 2005 is included in the pro forma figures of all comparison periods as if the acquisition would have happened before the periods presented. Pro forma information is based on IFRS and the accounting principles of Cargotec's official consolidated financial statements have been applied when suitable. The figures are unaudited. The final accounting impact of the MacGREGOR acquisition according to IFRS 3 is included in the official result as of June 1, 2005. In the 2005 pro forma figures the impact has been recognised as an adjustment to equity. The pro forma accounting principles prior to the listing are presented in Cargotec's listing particulars.

2. Financial Risk Management

Organisation of Finance Function and Financial Risk Management

Cargotec finance function and financial risk management are conducted according to the Treasury Policy, approved by the Board of Directors. Organization of responsibilities and principles of financial risk management, monitoring and reporting are defined in the Treasury Policy. Treasury Committee, appointed by the Board, is responsible for Treasury Policy compliance and for organising and monitoring treasury functions. Detailed guidelines for financing functions are defined in Treasury Instructions, approved by the Treasury Committee.

The objective of treasury management is to secure sufficient funding for business operations, avoiding financial constraint at all times, to provide business units with financial services, to minimise the costs of financing, to manage financial risks (currency, interest rate, liquidity and funding, credit and operational risks) and to provide Cargotec Executive Board with information on the financial position and risk exposures of Cargotec and its business units.

Cargotec Treasury is responsible for funding at corporate level, for managing liquidity and financial risks, for providing efficient set up of financing operations and for monitoring business unit financial positions. Cargotec Treasury reports these issues monthly to the Board of Directors. The business units are responsible for hedging their financial risks according to the Treasury Policy and instructions from Cargotec Treasury.

Currency Risk

Cargotec operates in approximately 160 countries and is, due to global operations, exposed to risks arising from foreign exchange rate fluctuations. A significant proportion of Cargotec sales and costs are generated in foreign currencies, mostly in US dollars and Swedish krona. Cargotec also operates in countries in which hedging currency risks is restricted, such as in China and South Korea.

The objective of currency risk management is to hedge operations against exchange rate fluctuations, thus allowing time for the business units to react and adapt to changes in exchange rates. Foreign currency positions, which include sales, purchases and financing related contractual cash flows, and highly probable forecast cash flows, are hedged through forward contracts. The business units report their risk exposures and hedging levels to Cargotec Treasury. In countries, in which hedging is restricted, foreign currency denominated loans and deposits may be used as hedging instruments.

Cargotec applies hedge accounting under IAS 39 to the majority of its hedging contracts. A change in the fair value of a future cash flow hedge is recognised in the cash flow hedge reserve under equity until the cumulative profit or loss is recorded in the income statement simultaneously with the underlying cash flow. Hedge accounting is not applied in cases where its impact on the consolidated income statement is deemed insignificant by Cargotec Treasury. The majority of the hedging instruments have maturities of three years or less.

Sensitivity analysis, in accordance with IFRS 7, aims is to represent the sensitivity of the consolidated income and equity with respect to foreign exchange rate fluctuations. The calculation of the income statement sensitivity includes the sensitivity of foreign currency denominated financial assets and liabilities in the balance sheet, the sensitivity of hedges assigned to balance sheet items and the sensitivity of hedges to which hedge accounting is not applied, i.e. to which changes in fair values are recognised through profit or loss. The sensitivity of equity arises from hedges of forecast cash flows, to which hedge accounting is applied and hence changes in fair value recognised in the cash flow hedge reserve under equity. A foreign exchange rate impact on the fair value of the hedge reserve is expected to be offset by the corresponding impact on the underlying cash flow the forecast flows materialise.

The net exposures including Cargotec companies' foreign currency denominated financial instruments, along with the analysed effects of currency strengthening against other currencies, if occurred at the end of period, are presented in the table below. Weakening of currency would result in effect of opposite sign. The exchange rate change percentages used for calculating the sensitivity, are the historic EUR/USD and EUR/SEK volatilities during year 2008 (Dec 31, 2007: five percent change).

Investments in non-euro-area subsidiaries cause translation differences, recorded in consolidated equity (translation risk). The objective of managing translation position is to hedge the capital structure so as to balance the effect of foreign exchange rate fluctuations on debt and equity. The capital structures of Cargotec foreign subsidiaries may be hedged through cross currency and interest rate swaps or foreign currency denominated debt instruments. For the moment, no hedging requirements have emerged due to the capital structure.

Interest Rate Risk

Fluctuations in market interest rates have an effect on consolidated interest outflows and the fair value of interest-bearing receivables, loans payable and derivative instruments. The objective of interest rate risk management is to mitigate the impact of interest rate changes on the income statement, balance sheet and cash flow, also taking account of the market value of net debt. The duration of the financial portfolio is maintained within the limits set by the Treasury Committee, by balancing between fixed and floating rate debt and by using derivative instruments.

IFRS 7 Sensitivity analysis – sensitivity to foreign exchange rates

	Dec 31, 2008			Dec 31, 2007		
MEUR	USD	EUR	SEK	USD	EUR	SEK
Foreign currency denominated financial instruments and hedges of those items	7.1	36.3	3.3	25.5	2.4	4.2
Hedges of future cash flows in equity reserve	-548.4	-390.9	1.4	-417.8	-375.5	-1.9
Change in currency rate used	12%	12%	7%	5%	5%	5%
Effect on Income before taxes	0.9	4.4	0.2	1.3	0.1	0.2
Effect on Equity	-65.8	-46.9	0.1	-20.9	-18.8	-0.1

Interest fixing periods on Dec 31, 2008

MEUR	0–6 mths	6–12 mths	12–24 mths	24–36 mths	Later	Total
Interest-bearing assets	-79.5	-4.2	-	-	-3.5	-87.2
Non-current loans from financial institutions	118.8	0.8	0.1	0.1	0.7	120.6
Corporate bonds*	-	-	-	-	314.7	314.7
Finance lease liabilities	1.7	1.6	1.3	0.7	3.7	8.9
Current interest-bearing liabilities**	107.7	2.9	-	-	-	110.6
Net	**148.7**	**1.2**	**1.4**	**0.8**	**315.6**	**467.6**

Interest fixing periods on Dec 31, 2007

MEUR	0–6 mths	6–12 mths	12–24 mths	24–36 mths	Later	Total
Interest-bearing assets	-179.2	-3.7	-	-	-2.0	-184.9
Non-current loans from financial institutions	121.8	0.4	0.3	0.3	0.3	123.0
Corporate bonds*	-	-	-	-	302.8	302.8
Finance lease liabilities	1.6	1.4	2.5	2.2	3.1	10.9
Current interest-bearing liabilities**	51.6	-	-	-	-	51.6
Net	**-4.2**	**-1.9**	**2.8**	**2.5**	**304.3**	**303.6**

* On December 31, 2008, the interest fixing period for corporate bonds ranged between 4 and 11 years.
** Including bank overdrafts

On December 31, 2008, Cargotec consolidated interest-bearing debt totalled EUR 554.8 (December 31, 2007: 488.4) million, of which EUR 314.7 (December 31, 2007: 302.8) million consisted of fixed rate corporate bonds, and EUR 230.3 (December 31, 2007: 173.8) million of floating rate loans, short term loans and bank overdraft facilities. The remaining EUR 9.8 (December 31, 2007: 11.7) million consisted of finance leases and long term fixed rate loans. The EUR 87.2 (December 31, 2007: 184.9) million consolidated investment portfolio consisted mainly of bank account balances and floating rate loan receivables. On December 31, 2008, the average duration of the debt portfolio, excluding bank overdrafts, was 50 (December 31, 2007: 59) months and that of the loan receivables 21 (December 31, 2007: 2) months.

For interest sensitivity analysis in accordance with IFRS 7, rate change of 1.6 percentage points was used, representing the maximum variance in the most common reference rate in Cargotec debt portfolio, 6 months euribor, during year 2008. Following the sensitivity analysis, if the market interest rate would have been 1.6 percentage points lower/higher, the impact on the consolidated interest expenses on a yearly basis would be EUR 1.2 (December 31, 2007: 0.5) million.

Cash flows of the USD 300 million Private Placement corporate bonds, funded in February 2007 and maturing in years 2014 to 2019, are converted into euro flows using long term cross currency and interest rate swaps. Resulting from the hedging, Cargotec effectively holds EUR 225 million long term fixed rate debt. Hedge accounting under IAS 39 is applied to these cross currency and interest rate swaps.

Other Market Risk

In addition to the risks related to the treasury function, Cargotec is exposed to price and supply risks relating to raw material and component purchases. The business units are responsible for identifying these risks and determining the required hedging measures. These risks are managed by thorough supplier selection process and long-term relationships with strategic suppliers.

Liquidity and Funding Risks

Liquidity risk is managed by retaining long term liquidity reserves exceeding short term liquidity requirements. On December 31, 2008, the liquidity reserves, including cash and cash equivalents and unused long term credit facilities, totalled EUR 714.2 (December 31, 2007: 764.0) million. Short term liquidity requirement includes the repayments of short and long term debt within the next 12 months, and strategic liquidity requirement, defined by Treasury Committee, which covers the operative funding requirements within the next 12 months. On December 31, 2008, short-term interest-bearing liabilities and the current portion of long-term interest-bearing liabilities maturing during the next 12 months totalled EUR 80.9 (December 31, 2007: 43.7) million.

On December 31, 2008, committed, unused long-term credit facilities included in liquidity reserves totalled EUR 635 (December 31, 2007: 585) million, of which EUR 50 million matures in 2010, EUR 535 million in 2012 and EUR 50 million in year 2013. According to the facility agreements, Cargotec has a right to withdraw funds on 3 days notice on agreed terms. Additionally, to fulfil short-term cash management requirements, Cargotec has short term bank overdraft facilities of EUR 113 (December 31, 2007: 118) million and a EUR 150 million Commercial Paper facility, of which EUR 36.2 (December 31, 2007: 0) million was used.

Funding risk is defined as risk of an untenably high proportion of loans or credit facilities maturing at a time when refunding is not economically or contractually feasible. The risk is minimised by balancing the repayment schedules of loans and credit facilities, as well as retaining flexible credit facility agreements. Cargotec loan agreements include, in addition to standard terms, covenants restricting the corporate capital structure. According to the covenant, Cargotec gearing must be retained below 125 percent. On December 31, 2008 gearing was 55.3 (December 31, 2007: 36.3) percent. According to management assessment, Cargotec is in good position regarding liquidity and there are no significant concentrations of risks relating to refunding.

Table below represents maturity analysis of financial liabilities. The figures are non-discounted contractual cash flows. Cargotec Treasury reports cash flows and liquidity monthly to Treasury Committee and Board of Directors.

Maturities of financial liabilities on Dec 31, 2008

MEUR	2009	2010	2011	2012	2013	Later	Total
Derivatives							
Fx forward contracts, outflow	-2,689.6	-694.6	-219.1	-14.7	-0.2	-	-3,618.2
Fx forward contracts, inflow	2,684.0	653.3	205.0	13.7	0.2	-	3,556.2
Cross-currency and interest rate swaps, outflow	-10.5	-10.5	-10.5	-10.5	-10.5	-255.0	-307.4
Cross-currency and interest rate swaps, inflow	12.0	12.0	12.0	12.0	12.0	249.0	309.0
Derivatives, net	**-4.0**	**-39.8**	**-12.6**	**0.5**	**1.5**	**-6.0**	**-60.4**
Accounts payable and other non-interest bearing liabilities	-678.1	-5.6	-5.3	-5.3	-5.9	-4.6	-704.7
Loans from financial institutions, repayments	-77.7	-19.2	-20.2	-50.6	-0.1	-30.0	-197.8
Loans from financial institutions, finance charges	-5.8	-5.8	-3.9	-2.7	-1.4	-3.4	-23.0
Corporate bonds, repayments*	-	-	-	-100.0	-	-215.6	-315.6
Corporate bonds, finance charges	-15.8	-15.8	-15.8	-13.8	-12.0	-34.0	-107.2
Finance leases, repayments	-3.3	-1.3	-0.7	-1.4	-0.3	-2.0	-8.9
Finance leases, finance charges	-0.4	-0.3	-0.2	-0.2	-0.2	-0.9	-2.1
Total	**-785.1**	**-87.8**	**-58.6**	**-173.5**	**-18.3**	**-296.4**	**-1,419.8**

Maturities of financial liabilities Dec 31, 2007

MEUR	2008	2009	2010	2011	2012	Later	Total
Derivatives							
Fx forward contracts, outflow	-1,835.4	-462.6	-270.2	-48.9	-4.4	-	-2,621.5
Fx forward contracts, inflow	1,868.4	463.3	270.2	48.6	4.3	-	2,654.9
Cross-currency and interest rate swaps, outflow	-10.5	-10.5	-10.5	-10.5	-10.5	-274.5	-326.9
Cross-currency and interest rate swaps, inflow	11.3	11.3	11.3	11.3	11.3	250.8	307.5
Derivatives, net	**33.9**	**1.6**	**0.8**	**0.6**	**0.8**	**-23.7**	**14.0**

MEUR	2008	2009	2010	2011	2012	Later	Total
Accounts payable and other non-interest bearing liabilities	-598.2	-8.8	-31.2	-4.6	-5.4	-2.2	-650.4
Loans from financial institutions, repayments	-40.7	-0.3	-22.0	-20.2	-50.1	-30.0	-163.3
Loans from financial institutions, finance charges	-6.7	-6.3	-6.3	-5.3	-3.7	-5.3	-33.5
Corporate bonds, repayments*	-	-	-	-	-100.0	-203.8	-303.8
Corporate bonds, finance charges	-15.1	-15.1	-15.1	-15.1	-15.1	-47.1	-122.7
Finance leases, repayments	-3.0	-2.5	-2.2	-0.2	-0.2	-2.8	-10.9
Finance leases, finance charges	-0.5	-0.5	-0.4	-0.2	-0.2	-1.3	-3.1
Total	**-630.3**	**-31.8**	**-76.4**	**-45.0**	**-174.0**	**-316.0**	**-1,273.6**

* The maturities of corporate bonds range between 2012 and 2019.

Credit and Counterparty Risks

The business units are responsible for managing the operational credit risks. On account of the diverse and global clientele, Cargotec is not exposed to significant credit risk concentrations. Credit risks are managed through contractual clauses including advance payments, bank guarantees or other guarantees. Risks of default or fraud are controlled by monitoring the creditworthiness of customers. Credit risks relating to major contracts are shared with financial institutions, insurance companies or export guarantee boards, when feasible. More information on trade receivables is presented in Note 21.

Cargotec holds no significant external loan receivables. Deposits of liquidity reserves and trading in financial instruments are only accepted with counterparties confirmed by the Treasury Committee. The Treasury Committee examines counterparties and sets counterparty limits based on their solvency and creditworthiness. Cargotec Treasury actively reviews counterparty risks and may reject a counterparty on immediate notice. On December 31, 2008, only Cargotec's main relationship banks were accepted as counterparties. The maximum risk relating to investments corresponds to their carrying amount. However, according to the management assessment, no credit losses are anticipated on the investments of liquidity reserves.

Operational Risks of the Treasury Functions

The management of operational risks aims to eliminate losses or increased risk levels due to errors in procedures or insufficient monitoring. The risks are minimised by maintaining a high level of proficiency, identifying and documenting routine procedures and organising responsibilities. Risks relating to transactions are minimised by conducting regular general assessments and monitoring trading limits, market valuations and daily trade confirmations.

Capital Structure Management

The goal of capital structure management is to secure operational preconditions at all times and to maintain the optimum capital cost structure. The target capital structure is determined by Shareholders and is regularly monitored by the Board of Directors.

Gearing, calculated as the ratio of net debt to equity, is the key figure monitored for capital structure management. Net debt is calculated as net of interest-bearing liabilities and assets, including cash and cash equivalents. The long-term target is to keep gearing under 50 percent. Net debt and gearing is represented in the table below.

MEUR	Dec 31, 2008	Dec 31, 2007
Interest-bearing liabilities*	565.0	510.4
Interest-bearing receivables	-7.9	-5.9
Cash and cash equivalents	-79.2	-179.0
Interest-bearing net debt	477.8	325.5
Equity	864.4	896.7
Gearing	**55.3%**	**36.3%**

* The hedging of US Private Placement corporate bonds to eliminate the effect of exchange rate changes is included in interest bearing liabilities for calculation of gearing.

3. Segment Information

The segment information is presented in primary reporting by business segment and in secondary reporting by geographical segment. Pricing of inter-segment transactions is based on current market prices.

The primary business segments based on the internal reporting and management structure are Hiab, Kalmar and MacGREGOR. Hiab is the global market leader in on-road load handling solutions for moving, lifting, loading and unloading products, goods or raw material from vehicles. Kalmar is the world's leading provider of container and heavy load handling equipment and services. Kalmar has activities in terminals, ports, heavy industry and distribution centres. MacGREGOR is the global market leader in providing marine cargo flow solutions, offshore solutions and related services. Its solutions are used in general cargo, bulk, container and RoRo vessels, tankers, bulk terminals and offshore industry. The segment Others consists mainly of those group administration costs, which are not allocated to businesses.

The financial performance of the business segments is measured through operating profit. Financing income and expenses and taxes are not allocated to the business segments. Business segments' assets comprise intangible assets, property, plant and equipment, investments in associated companies and joint ventures, available-for-sale investments, inventories and operating non-interest-bearing receivables (including derivatives designated as hedges of future commercial transactions). Unallocated assets comprise loans and other interest-bearing assets, cash and cash equivalents, income tax receivables, deferred tax assets, deferred interests and derivatives designated as hedges of future treasury transactions. Business segments' liabilities comprise pension obligations, provisions and operating non-interest-bearing liabilities (including derivatives designated as hedges of future commercial transactions). Unallocated liabilities comprise loans and other interest-bearing liabilities, deferred tax liabilities, income tax payables, accrued interests and derivatives designated as hedges of future treasury transactions.

Geographical segments are based on the main market areas. Sales are reported by customer location, while assets and capital expenditure by the location of the assets. Goodwill has not been allocated to geographical segments.

3.1 Business Segments

Segment results

Jan 1–Dec 31, 2008

MEUR	Hiab	Kalmar	MacGREGOR	Others	Eliminations	Total
Sales						
Services	211.8	436.9	222.1	-	-	870.8
Products	687.1	1,078.3	763.0	-	-	2,528.4
External sales total	898.9	1,515.3	985.1	-	-	3,399.2
Internal sales	8.1	0.2	0.0	-	-8.3	0.0
Total sales	**907.0**	**1,515.5**	**985.1**	**-**	**-8.3**	**3,399.2**
Share of associated companies' and joint ventures' net income	0.1	0.2	0.2	-	-	0.6
Operating profit	**35.2** *	**85.1** *	**83.6**	**-30.1**	-	**173.7**
Operating profit-%	3.9%	5.6%	8.5%	-	-	5.1%
Operating profit excluding restructuring	**49.4**	**89.6**	**83.6**	**-29.8**	-	**192.8**
Operating profit % excluding restructuring	5.4%	5.9%	8.5%	-	-	5.7%
Financing items and taxes	-	-	-	-	-	-52.9
Net income	**-**	**-**	**-**	**-**	-	**120.8**
Depreciation and amortisation	15.1	33.0	8.7	0.6	-	57.4
Impairment charges	0.7	2.0	-	-	-	2.7

* Including EUR 19.1 million restructuring costs.

Jan 1–Dec 31, 2007

MEUR	Hiab	Kalmar	MacGREGOR	Others	Eliminations	Total
Sales						
Services	161.1	405.8	190.5	-	-	757.5
Products	766.1	937.5	557.2	-	-	2,260.7
External sales total	927.2	1,343.3	747.7	-	-	3,018.2
Internal sales	4.0	0.0	0.0	-	-4.0	0.0
Total sales	**931.2**	**1,343.3**	**747.7**	**-**	**-4.0**	**3,018.2**
Share of associated companies' net income	0.1	0.1	0.2	-	-	0.3
Operating profit	**73.8**	**87.5** *	**59.4**	**-17.5**	**0.0**	**203.1**
Operating profit %	7.9%	6.5%	7.9%	-	-	6.7%
Financing items and taxes	-	-	-	-	-	-64.7
Net income	**-**	**-**	**-**	**-**	**-**	**138.4**
Depreciation and amortisation	-14.0	-35.7	-9.9	-0.2	-	-59.8
Impairment charges	-	-	-0.1	-	-	-0.1

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

Segment assets and liabilities

Dec 31, 2008

MEUR	Hiab	Kalmar	MacGREGOR	Others	Eliminations	Total
Non-interest-bearing assets	697.9	1,081.8	933.9	26.2	-19.3	2,720.6
Investments in associated companies and joint ventures	0.5	3.9	2.5	-	-	7.0
Unallocated assets, interest-bearing	-	-	-	-	-	87.2
Other unallocated assets	-	-	-	-	-	224.2
Total assets	**698.5**	**1,085.7**	**936.5**	**26.2**	**-19.3**	**3,038.9**
Non-interest-bearing liabilities	173.6	512.7	713.7	6.7	-19.3	1,387.4
Unallocated liabilities, interest-bearing	-	-	-	-	-	554.8
Other unallocated liabilities	-	-	-	-	-	232.3
Total liabilities	**173.6**	**512.7**	**713.7**	**6.7**	**-19.3**	**2,174.5**
Assets employed	524.9	572.9	222.8	19.5	-	1,340.1
Capital expenditure	25.0	65.3	18.0	4.4	-	112.8

Dec 31, 2007

MEUR	Hiab	Kalmar	MacGREGOR	Others	Eliminations	Total
Non-interest-bearing assets	662.8	929.0	690.1	16.9	-7.1	2,291.7
Investments in associated companies	3.5	0.2	1.1	-	-	4.8
Unallocated assets, interest-bearing	-	-	-	-	-	184.9
Other unallocated assets	-	-	-	-	-	101.2
Total assets	**666.2**	**929.3**	**691.2**	**16.9**	**-7.1**	**2,582.6**
Non-interest-bearing liabilities	188.9	438.0	439.5	6.2	-7.1	1,065.5
Unallocated liabilities, interest-bearing	-	-	-	-	-	488.4
Other unallocated liabilities	-	-	-	-	-	132.0
Total liabilities	**188.9**	**438.0**	**439.5**	**6.2**	**-7.1**	**1,685.9**
Assets employed	477.3	491.3	251.7	10.7	-	1,231.1
Capital expenditure	14.9	65.9	8.4	1.5	-	90.7

Orders

	Orders received		Order book	
MEUR	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007	Dec 31, 2008	Dec 31, 2007
Hiab	818.1	984.9	164.2	259.7
Kalmar	1,565.8	1,429.3	704.2	660.1
MacGREGOR	1,393.4	1,695.7	2,186.5	1,946.3
Eliminations	-8.6	-4.2	-0.5	-0.8
Total	**3,768.7**	**4,105.7**	**3,054.4**	**2,865.2**

Number of employees

	Average		At the end of period	
	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007	Dec 31, 2008	Dec 31, 2007
Hiab	4,509	4,091	4,766	4,418
Kalmar	4,680	4,233	4,308	4,459
MacGREGOR	2,449	1,880	2,577	2,223
Corporate administration	139	72	175	87
Total	**11,777**	**10,276**	**11,826**	**11,187**

3.2 Geographical Segments

Sales

Jan 1–Dec 31, 2008

MEUR	Hiab	Kalmar	MacGREGOR	Eliminations	Total
EMEA (Europe, Middle East, Africa)	644.3	887.6	374.5	-5.6	1,900.8
Americas	159.6	361.1	37.5	-1.8	556.4
Asia Pacific	103.1	266.8	573.0	-1.0	941.9
Total	**907.0**	**1,515.5**	**985.1**	**-8.3**	**3,399.2**

Jan 1–Dec 31, 2007

MEUR	Hiab	Kalmar	MacGREGOR	Eliminations	Total
EMEA (Europe, Middle East, Africa)	622.9	745.3	310.9	-2.0	1,677.1
Americas	216.7	368.0	63.6	-1.7	646.6
Asia Pacific	91.6	230.0	373.3	-0.3	694.5
Total	**931.2**	**1,343.3**	**747.7**	**-4.0**	**3,018.2**

Non-interest-bearing assets

MEUR	Dec 31, 2008	Dec 31, 2007
EMEA (Europe, Middle East, Africa)	1,617.5	1,304.9
Americas	191.9	158.0
Asia Pacific	391.7	256.1
Goodwill*	669.2	670.2
Eliminations	-142.6	-92.7
Total	**2,727.6**	**2,296.5**

* Goodwill has not been allocated to geographical areas.

Capital expenditure

MEUR	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007
EMEA (Europe, Middle East, Africa)	80.7	73.9
Americas	13.9	6.8
Asia Pacific	18.1	10.0
Total	**112.8**	**90.7**

Number of employees

	Dec 31, 2008	Dec 31, 2007
EMEA (Europe, Middle East, Africa)	7,693	7,498
Americas	1,246	1,211
Asia Pacific	2,887	2,478
Total	**11,826**	**11,187**

4. Acquisitions and Disposals

Acquisitions 2008

In 2008 Cargotec made eight acquisitions of which four in Hiab's business area.

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

In February, Hiab made an agreement to acquire the UK based Del Equipment (UK) Limited and the U.S. based Ultron Lift Corp. These companies manufacture tail lifts in UK and U.S. The acquisitions were finalised at the end of March. In February, Hiab signed also an agreement to acquire 70 percent of the operations of Australian O'Leary's Material Handling Services Pty Ltd., the leading supplier of tail lifts in Western Australia. The acquisition was closed in April. At the end of March, Hiab concluded an agreement to acquire the majority of the operations of the South African Bowman Cranes (Pty) Limited. This company supplies, installs and services truck-related load handling equipment. The acquisition was finalised in June. In June, Hiab concluded an agreement to acquire the business of Zepro Tailgate (1987) Limited in New Zealand. In addition to tail lift sales, the business comprises installation, repairs, maintenance and spare parts sales. The acquisition was closed in July.

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

Kalmar acquired Argentinean Equipos y Servicios Terminales y Puertos SRL (ESTP). In addition to new equipment distribution the company provides equipment commissioning, technical and spare part support as well as equipment repairing and refurbishing in South America. In October Kalmar acquired 80 percent of two Italian service companies, CVS Technoports S.r.l. and CVS Service S.r.l.

Management estimates that the consolidated sales for Jan 1–Dec 31, 2008 would have been EUR 3,426 million if the acquisitions had been completed on Jan 1, 2008.

The table on the next page summarises the acquisitions completed in 2008. The business combinations of Equipos y Servicios Terminales y Puertos SRL, CVS Technoports S.r.l. and CVS Service S.r.l. were accounted as preliminary as the determination of fair values to be assigned to the assets, liabilites and contingent liabilities was yet not finalised.

Assets and liabilities of the acquired companies

MEUR	Net fair values of identifiable assets and liabilities of the acquired businesses	Assets and liabilities immediately before business combination
Other intangible assets	4.3	0.0
Property, plant and equipment	3.5	3.3
Inventories	12.9	12.7
Non-interest-bearing assets	14.3	14.3
Interest-bearing assets and Cash and cash equivalents	0.9	0.9
Interest-bearing liabilities	-6.3	-6.3
Other non-interest-bearing liabilities	-21.7	-19.9
Acquired net assets	**7.8**	**5.0**
Transaction price	52.0	
Costs related to acquisitions	2.6	
Goodwill	**46.8**	
Transaction price paid in cash	45.7	
Costs related to acquisitions	2.4	
Cash and cash equivalents in acquired businesses	-0.9	
Total cash outflow from acquisitions	**47.2**	

The business combinations of Hydramarine AS, Indital Construction Machinery Ltd, Bay Equipment Repairs Inc and Balti ES were accounted as preliminary at the end of 2007, as the determination of fair values was still unfinished. The accounting of these acquisitions is finalised in 2008. It had no impact on the previous year's figures.

Acquisitions in 2007

In 2007 Cargotec made several acquisitions in line with its strategy. These acquisitions were individually immaterial.

In February, a contract was signed to acquire 95 percent of the Indian company, Indital Construction Machinery Ltd. The acquisition was finalized in April. Cargotec ownership was raised to 100 percent in December. In September Cargotec bought the remaining shares (49 percent) in Kalmar India Pvt. Ltd.

In January, Hiab signed a contract to acquire a majority holding of its Australian importer, BG Crane Pty. Ltd. The acquisition was finalized in February. In January, Hiab also signed an agreement of intent to acquire the sales, service and installation units of its distributor Berger in the Czech Republic, Slovakia, Hungary and Croatia. The acquisition was finalized in May. In May, Hiab signed a contract to acquire the Estonian company Balti ES. The acquisition was finalized in June. In July, Hiab signed an agreement to acquire Bay Equipment Repairs Inc., a service company based in Florida, U.S.A.

In January, Kalmar acquired Tagros d.o.o., a Slovenia-based service company. In January, Kalmar signed also an agreement to acquire Truck och Maskin i Örnsköldsvik AB, a Swedish company. The acquisition was finalized in February. In February, Kalmar acquired the assets and business of Port Equipment Service, Inc. (PES), a U.S. based service company. In April, Kalmar signed a contract to acquire the remaining minority share in Kalmar Asia Pacific Ltd. Kalmar now fully owns the company. In December 2006, a contract was signed to acquire Kalmar's Spanish distributor, Kalmar Espana S.A. The acquisition was finalized in April. In August, Kalmar made an agreement to acquire Advanced Cargo Transshipment B.V. (ACT), an automation and software producer based in the Netherlands.

In March, MacGREGOR agreed to acquire 90 percent of the Norwegian Hydramarine AS and Singaporean Plimsoll Corporation Pte Ltd. The acquisitions were finalized in April. The accounting of these two business combinations includes also the minority share with the redemption obligation. The debt-free acquisition price of these business combinations was approximately EUR 136 million and the goodwill recognised according to the calculations was EUR 123 million. In May, a contract was signed to acquire Vestnorsk Hydraulikkservice AS (VNH) of Norway. The acquisition was finalized in June.

Management estimates that the consolidated sales for Jan 1–Dec 31, 2007 would have been approximately EUR 3,057 million if the acquisitions had occurred on Jan 1, 2007.

The table below summarises the acquisitions in January 1–December 31, 2007 excluding acquisitions of minority interests. The business combinations of Hydramarine AS, Indital Construction Machinery Ltd, Bay Equipment Repairs Inc. and Balti ES were accounted as preliminary as the determination of fair values to be assigned to the assets, liabilities and contingent liabilities was not yet finalised.

Assets and liabilities of the acquired companies

MEUR	Net fair values of identifiable assets and liabilities of the acquired businesses	Assets and liabilities immediately before business combination
Other intangible assets	15.3	0.2
Property, plant and equipment	25.8	25.5
Inventories	54.0	53.0
Non-interest-bearing assets	43.3	43.3
Interest-bearing assets, cash and cash equivalents	6.7	6.7
Interest-bearing liabilities	-21.1	-21.1
Other non-interest-bearing liabilities	-92.9	-89.0
Acquired net assets	**31.2**	**18.7**
Transaction price	194.3	
Costs related to acquisitions	3.3	
Goodwill	**166.4**	
Transaction price paid in cash	155.4	
Costs related to acquisitions	3.3	
Cash and cash equivalents in acquired businesses	-3.0	
Total cash outflow from acquisitions	**155.6**	

The goodwill is attributable to the experienced and capable personnel employed by the businesses and to the synergies. Synergies are expected from the possibility to expand operations to new market areas and to utilise new product knowledge and new technologies in developing current business. Management estimates that synergies are also gained from services' greater global presence, utilisation of economies of scale and integration of sourcing and sales network for new products.

A goodwill of EUR 10.2 million was recognised of the acquisition of the minority shares of Kalmar India Pvt. Ltd and Kalmar Asia Pacific Ltd. The cash outflow from these acquisitions was EUR 13.1 million.

5. Percentage of Completion Method

Sales include EUR 214.0 (Jan 1–Dec 31, 2007: 119.8) million of income recognised based on the percentage of completion of the long-term construction contracts. The balance sheet includes from the percentage of completion method EUR 86.7 (Dec 31, 2007: 31.1) million in unbilled contract revenue and EUR 15.5 (19.9) million in advances received.

6. Other Operating Income and Expenses

Other operating income

MEUR	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007
Gain on disposal of intangible and tangible assets	0.7	1.2
Customer finance related other income	22.9	17.6
Rent income	2.3	4.4
Income from order cancellations	5.9	-
Other income	7.3	3.5
Total	**39.1**	**26.8**

Other operating expenses

MEUR	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007
Loss on disposal of intangible and tangible assets	0.1	0.1
Customer finance related other expenses	21.8	17.6
Restructuring costs	-	4.2
Expenses from order cancellations	5.9	-
Other expenses	4.8	13.0
Total	**32.6**	**34.9**

Audit fees

MEUR	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007
Annual audit	2.3	2.5
Other statements	0.0	0.0
Tax advice	0.8	1.0
Other services	0.7	0.8
Total	**3.8**	**4.4**

7. Restructuring costs

MEUR	MacGREGOR	Kalmar	Hiab	Other	Total
Employment termination costs	-	2.4	9.9	0.3	12.6
Asset impairments and write-downs	-	2.0	1.5	-	3.5
Other restructuring costs*	-	0.1	2.8	0.1	3.0
Total	**-**	**4.5**	**14.1**	**0.3**	**19.1**

* Includes e.g. contract (other than employment contracts) termination costs.

Due to weakening markets, September saw the initiation of a restructuring programme. The measures were aimed at adjusting capacity in Hiab to the prevailing market situation and improving both Hiab's and Kalmar's profitability. Moreover, an annual profitability improvement of around EUR 25 million in addition to capacity adjustments is being sought through the cost saving programme. The related costs and write-downs are estimated at approximately EUR 35 million. Of these, EUR 19 million was booked in the final quarter of 2008. The remainder is expected to incur in early 2009.

8. Personnel Expenses

MEUR	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007
Wages and salaries	387.5	352.9
Equity-settled share-based payment transactions	-0.2	1.2
Cash-settled share-based payment transactions	-0.8	2.2
Pension costs*	27.1	27.9
Other statutory employer costs	108.6	98.6
Total	**522.2**	**482.8**

* Pension costs are presented in more detail in Note 26. Employee Benefits. Information on key management compensation is presesented in Note 32. Related-party Transactions and information on share-based payment transactions in Note 24. Share-based Payments.

9. Depreciation, Amortisation and Impairment Charges

Depreciation, amortisation and impairment by function

MEUR	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007
Cost of goods sold	38.2	35.2
Selling and marketing	9.7	9.8
Research and development	1.4	0.9
Administration	5.0	4.2
Other	5.8	9.7
Total	**60.1**	**59.8**

Depreciation and amortisation by asset type

MEUR	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007
Intangible assets	8.3	10.6
Buildings	8.0	7.2
Machinery & equipment	21.1	19.4
Finance lease agreements	0.7	0.7
Customer finance agreements	19.4	21.9
Total	**57.4**	**59.8**

Impairment charges by asset type

MEUR	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007
Goodwill	-	-
Other intangible assets	0.0	0.1
Property, plant and equipment	2.7	-
Total	**2.7**	**0.1**

10. Financing Income and Expenses

Financing income

MEUR	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007
Interest income on loans receivable and cash and cash equivalents	4.2	6.3
Interest income on interest rate derivatives, cash flow hedges	11.5	10.2
Interest income on interest rate derivatives, non-hedge accounted	-	0.1
Change in fair value of interest rate derivatives, non-hedge accounted	-	0.0
Other financing income	0.3	0.0
Dividend income on assets available for sale	0.0	0.0
Total	**16.0**	**16.7**

Financing expenses

MEUR	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007
Interest expenses on financial liabilities measured at amortised cost	31.1	23.4
Interest expenses on interest rate derivatives, cash flow hedges	10.5	9.0
Interest expenses on interest rate derivatives, non-hedge accounted	-	0.2
Arrangement and commitment fees relating to interest-bearing loans	0.8	0.6
Other financing expenses	1.2	0.7
Exchange rate differences, net	0.9	1.6
Total	**44.5**	**35.5**

Exchange rate differences included in financing income and expenses

MEUR	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007
Exchange rate differences on interest-bearing loans and receivables	-75.1	2.3
Exchange rate differences on derivative instruments, cash flow hedges	11.8	-21.9
Exchange rate differences on derivative instruments, non-hedge accounted	62.4	18.1
Total	**-0.9**	**-1.6**

Exchange rate differences included in operating income

MEUR	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007
Sales		
Exchange rate differences on sales	28.1	-1.3
Exchange rate differences on hedges of sales	-18.7	8.7
Cost of goods sold		
Exchange rate differences on purchases	-7.7	-2.3
Exchange rate differences on hedges of purchases	-5.4	0.4
Other operating income and expenses		
Ineffective portion of cash flow hedges	-5.1	0.0
Exchange rate differences on derivatives. non-hedge accounted	-0.3	0.9
Total	**-9.1**	**6.3**

11. Income Taxes

Taxes in income statement

MEUR	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007
Current year tax expense	46.3	56.2
Deferred tax expense	-8.9	-3.9
Tax expense for previous years	-13.0	-6.3
Total	**24.4**	**46.0**

Reconciliation of effective tax rate

MEUR	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007
Income before taxes	145.2	184.4
Tax calculated at domestic tax rate*	37.8	47.9
Effect of different tax rates in foreign subsidiaries	-6.1	11.2
Previous years' taxes	-13.0	-6.3
Non-deductible expenses and tax exempt income	0.0	-9.6
Benefit arising from previously unrecognised tax losses and temporary differences	-2.4	-1.9
Unrecognised current year tax losses and temporary differences	10.7	1.7
Change in previously unrecognised tax losses and temporary differences	-2.5	1.2
Effect of changes in tax rates	0.0	1.7
Total	**24.4**	**46.0**
Effective tax rate, %	16.8%	25.0%

* The domestic (Finland) tax rate is 26% (2007: 26%).

12. Earnings per Share

Basic earnings per share is calculated by dividing the net income attributable to the equity holders of the Company by the weighted average number of shares outstanding during period. Diluted earnings per share is calculated by adjusting the weighted average number of shares for the effect of all potential dilutive shares. Cargotec has a dilutive option programme. The options have a diluting effect, when the exercise price with an option is lower than the market value of the Company share. The diluting effect is the number of shares that the Company has to issue gratuitously because the received funds from the exercised options do not cover the fair value of the shares.
The fair value of the Company's share is determined as the average market price of the shares during period.

	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007
Net income attributable to the equity holders of the Company, MEUR	118.4	136.5
Weighted average number of shares during financial period, ('000)	61,893	62,965
Basic earnings per share, EUR	**1.91**	**2.17**

	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007
Net income attributable to the equity holders of the Company, MEUR	118.4	136.5
Weighted average number of shares during financial period, ('000)	61,893	62,965
Effect of share options, ('000)	89	231
Diluted weighted average number of shares during financial period, ('000)	61,982	63,195
Diluted earnings per share, EUR	**1.91**	**2.16**

13. Goodwill

MEUR	Dec 31, 2008	Dec 31, 2007
Book value at the beginning of period	670.2	513.3
Translation difference	-47.8	-19.3
Companies acquired	46.8	176.7 *
Other changes	-	-0.5
Book value at the end of period	**669.2**	**670.2**

* Including EUR 10.2 million goodwill from the acquisition of minority interests.

Impairment testing of goodwill

For impairment testing goodwill is allocated to business segments, which form Cargotec's cash generating units.

MEUR	Dec 31, 2008	Dec 31, 2007
Hiab	195.8	181.4
Kalmar	218.9	220.5
MacGREGOR	254.5 *	268.3 *
Total	**669.2**	**670.2**

* MacGREGOR includes EUR 128.6 (31.12.2007:123.6) million goodwill of Offshore division, treated separately for impairment testing.

Goodwill is impairment tested annually or more frequently when there is an indication that the current value is not recoverable. The impairment testing of goodwill is carried out by value-in-use method.

Based on the calculations no impairment loss recognition is required. Of the business segments, Hiab's sensitivity to the operating environment is highest, whereas in the other segments the difference between calculated present values and carrying amounts of assets is significant and according to management assessment, no conceivable change in the main variables used for impairment testing would result in recoverable cash flow to decrease below the carrying amount. The present value of Hiab segment cash flow is sensitive to the assumptions on future demand and the implementation of adequate capacity and cost structure restructuring to ensure cash generation. If the determined discount rate would be 2% higher an impairment charge would arise on Hiab´s goodwill.

Assumptions for determining value-in-use

The cash flow projections used in value-in-use calculations are based on financial budgets approved by the management. In addition to the yearly budgeting process, cash flows are projected for a two year period. Cash flows beyond the three-year period are extra-polated cautiously by assuming 2% growth. The discount rate (WACC) used was 10.5% (2007: 11.7%) before taxes.

The main source of uncertainty in impairment testing is management's estimates of profitability (EBITA) for each cash generating unit. The outcome of impairment testing is not particularly sensitive for changes in discount rate.

14. Other Intangible Assets

MEUR	Development costs	Trademarks	Other*	Total
Acquisition cost Jan 1, 2008	9.2	42.7	53.4	105.3
Translation difference	0.0	-0.5	-1.0	-1.5
Additions	3.7	-	4.9	8.6
Disposals	-0.4	-	-0.2	-0.5
Reclassification	-	-	-0.3	-0.3
Companies acquired	-	1.2	3.6	4.8
Acquisition cost Dec 31, 2008	**12.6**	**43.4**	**60.5**	**116.5**
Accumulated amortisation and impairment Jan 1, 2008	-0.7	-0.4	-23.2	-24.3
Translation difference	0.0	0.0	0.8	0.8
Amortisation during the financial period	-0.3	-0.6	-7.4	-8.3
Disposals	0.4	-	0.0	0.4
Reclassification	-	-	0.0	0.0
Companies acquired	-	0.0	0.0	0.0
Accumulated amortisation and impairment Dec 31, 2008	**-0.7**	**-1.0**	**-29.8**	**-31.5**
Book value Jan 1, 2008	8.5	42.3	30.2	81.0
Book value Dec 31, 2008	11.9	42.4	30.7	85.0

MEUR	Development costs	Trademarks	Other*	Total
Acquisition cost Jan 1, 2007	1.8	42.0	37.2	81.0
Translation difference	0.0	-0.1	-0.5	-0.7
Additions	7.5	-	2.5	10.0
Disposals	-	-	0.0	0.0
Reclassification	-0.4	-0.8	0.9	-0.2
Companies acquired	0.3	1.7	13.3	15.4
Acquisition cost Dec 31, 2007	**9.2**	**42.7**	**53.4**	**105.3**
Accumulated amortisation and impairment Jan 1, 2007	-0.5	-	-13.3	-13.8
Translation difference	0.0	-	0.2	0.2
Amortisation during the financial period	-0.3	-0.4	-9.9	-10.6
Impairment charges	-0.1	-	-	-0.1
Disposals	-	-	0.0	0.0
Reclassification	0.4	-	-0.2	0.2
Companies acquired	-0.3	-	-0.1	-0.4
Accumulated amortisation and impairment Dec 31, 2007	**-0.7**	**-0.4**	**-23.2**	**-24.3**
Book value Jan 1, 2007	1.3	42.0	23.9	67.2
Book value Dec 31, 2007	8.5	42.3	30.2	81.0

* Other intangibles include patents, product licenses, software licences and other intangible assets.

The trademarks have been measured at fair value in connection with the acquisition (see Note 4. Acquisitions and disposals). Part of the trademarks have been assessed to have indefinite useful lives, including MacGREGOR. It is estimated that they will create cash flow for an indefinite period. The estimate is based on their position as global, market area or customer segment specific market leadership and their long history. The MacGREGOR trademark has been used since the 1930's and it is continuously developed. The trademarks are impairment tested annually or more frequently if there is an indication that their current value would not be recoverable.

Other trademarks have been estimated to create cash flow during their useful lives, which are assessed to be about 5 years. These trademarks are amortised on a straight-line basis over their useful lives.

15. Property, Plant and Equipment

MEUR	Land	Buildings	Machinery & equipment	Fixed assets under construction	Advance payments	Total
Acquisition cost Jan 1, 2008	12.9	143.3	428.1	11.5	0.1	595.9
Translation difference	-0.1	-3.1	-24.0	-0.3	0.0	-27.5
Additions	0.8	20.1	63.7	18.8	0.7	104.1
Disposals	0.0	-0.4	-29.5	0.0	0.0	-29.9
Reclassification	-	10.8	2.7	-13.6	-0.1	-0.2
Companies acquired	-	0.6	5.7	-	0.5	6.8
Acquisition cost Dec 31, 2008	**13.6**	**171.2**	**446.7**	**16.4**	**1.2**	**649.1**
Accumulated depreciation and impairment Jan 1, 2008	-0.7	-72.4	-269.1	-	-	-342.2
Translation difference	-0.5	2.3	16.2	-	-	18.1
Depreciation during the financial period	-	-8.3	-40.8	-	-	-49.1
Impairment	-	-2.0	-0.7	-	-	-2.7
Disposals	-	0.1	13.2	-	-	13.3
Reclassification	-	-	0.2	-	-	0.2
Companies acquired	-	-0.3	-3.0	-	-	-3.3
Accumulated depreciation and impairment Dec 31, 2008	**-1.2**	**-80.6**	**-283.9**	**-**	**-**	**-365.7**
Book value Jan 1, 2008	12.2	70.9	159.0	11.5	0.1	253.7
Book value Dec 31, 2008	12.4	90.7	162.8	16.4	1.2	283.5

MEUR	Land	Buildings	Machinery & equipment	Fixed assets under construction	Advance payments	Total
Acquisition cost Jan 1, 2007	11.6	130.5	366.7	3.2	0.7	512.7
Translation difference	-0.3	-4.5	-10.8	-0.2	0.0	-15.9
Additions	0.9	7.0	59.0	13.7	0.2	80.7
Disposals	-0.2	-0.8	-26.0	-0.3	0.0	-27.2
Reclassification	0.0	2.7	3.8	-5.0	-0.9	0.5
Companies acquired	1.0	8.3	35.4	0.2	0.2	45.2
Acquisition cost Dec 31, 2007	**12.9**	**143.3**	**428.1**	**11.5**	**0.1**	**595.9**
Accumulated depreciation and impairment Jan 1, 2007	-0.8	-63.2	-231.1	-	-	-295.1
Translation difference	0.0	2.1	7.9	-	-	10.1
Depreciation during the financial period	-	-7.5	-41.7	-	-	-49.2
Impairment	-	0.3	11.7	-	-	12.0
Reclassification	-	0.0	0.1	-	-	0.1
Companies acquired	-	-4.1	-15.9	-	-	-20.1
Accumulated depreciation and impairment Dec 31, 2007	**-0.7**	**-72.4**	**-269.1**	**-**	**-**	**-342.2**
Book value Jan 1, 2007	10.8	67.3	135.6	3.2	0.7	217.6
Book value Dec 31, 2007	12.2	70.9	159.0	11.5	0.1	253.7

Finance lease agreements

Property, plant and equipment include capitalised finance leases as follows:

MEUR	Buildings	Machinery & equipment	Total
Acquisition cost Jan 1, 2008	6.2	4.2	10.4
Translation difference	-0.4	-0.2	-0.6
Additions	0.2	0.9	1.1
Disposals	-	-0.3	-0.3
Reclassification	-	-1.3	-1.3
Companies acquired	0.0	0.8	0.8
Acquisition cost Dec 31, 2008	**6.0**	**4.2**	**10.2**
Accumulated depreciation and impairment Jan 1, 2008	-2.7	-2.0	-4.7
Translation difference	0.1	0.2	0.3
Depreciation during the financial period	-0.3	-0.4	-0.7
Disposals	-	0.2	0.2
Companies acquired	-	0.1	0.1
Accumulated depreciation and impairment Dec 31, 2008	**-2.9**	**-1.9**	**-4.9**
Book value Jan 1, 2008	3.5	2.2	5.7
Book value Dec 31, 2008	3.1	2.2	5.4

MEUR	Buildings	Machinery & equipment	Total
Acquisition cost Jan 1, 2007	6.5	8.5	15.0
Translation difference	-0.3	-0.1	-0.5
Additions	0.1	0.6	0.7
Disposals	-	-0.9	-0.9
Reclassification	-	-6.1	-6.1
Companies acquired	-	2.3	2.3
Acquisition cost Dec 31, 2007	**6.2**	**4.2**	**10.4**
Accumulated depreciation and impairment Jan 1, 2007	-2.7	-1.9	-4.6
Translation difference	0.2	0.1	0.3
Depreciation during the financial period	-0.3	-0.4	-0.7
Disposals	-	0.7	0.7
Reclassification	-	-0.6	-0.6
Accumulated depreciation and impairment Dec 31, 2007	**-2.7**	**-2.0**	**-4.7**
Book value Jan 1, 2007	3.8	6.6	10.4
Book value Dec 31, 2007	3.5	2.2	5.7

Customer finance agreements

Property, plant and equipment include machinery and equipment leased out under customer finance contracts classified as operating leases as follows:

MEUR	Machinery & equipment
Acquisition cost Jan 1, 2008	156.9
Translation difference	-8.8
Additions	35.9
Disposals	-16.4
Reclassification	0.1
Companies acquired	-
Acquisition cost Dec 31, 2008	**167.7**
Accumulated depreciation and impairment Jan 1, 2008	-75.8
Translation difference	5.0
Depreciation during the financial period	-19.4
Disposals	3.2
Reclassification	-0.1
Companies acquired	-
Accumulated depreciation and impairment Dec 31, 2008	**-87.0**
Book value Jan 1, 2008	81.2
Book value Dec 31, 2008	80.7

MEUR	Machinery & equipment
Acquisition cost Jan 1, 2007	121.2
Translation difference	-2.5
Additions	37.5
Disposals	-18.6
Reclassification	5.0
Companies acquired	14.3
Acquisition cost Dec 31, 2007	**156.9**
Accumulated depreciation and impairment Jan 1, 2007	-55.8
Translation difference	1.5
Depreciation during the financial period	-21.9
Disposals	6.7
Reclassification	0.2
Companies acquired	-6.5
Accumulated depreciation and impairment Dec 31, 2007	**-75.8**
Book value Jan 1, 2007	65.4
Book value Dec 31, 2007	81.2

16. Investments in Associated Companies and Joint Ventures

	Associated companies		Joint Ventures		Total	
MEUR	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Book value Jan 1	4.5	2.4	0.4	-	4.8	2.4
Translation difference	-0.1	-0.1	0.0	-	-0.1	-0.1
Share of net income	0.3	0.3	0.1	0.1	0.5	0.3
Dividends received	-	-0.2	-	-	-	-0.2
Additions	1.3	3.0	-	0.1	1.3	3.2
Disposals	-	-	-	-	-	-
Reclassification	0.6	-1.0	-	0.2	0.6	-0.9
Companies acquired	-	0.0	-	-	-	0.0
Book value Dec 31	**6.5**	**4.5**	**0.5**	**0.4**	**7.0**	**4.8**

On December 31, 2008 the book value of investments in associated companies includes EUR 2.8 (Dec 31, 2007: 2.5) million of goodwill. The book value of associated companies and joint ventures at the end of period does not include publicly listed shares.

Principal associated companies and joint ventures

Dec 31, 2008

						Shareholding (%)	
MEUR	**Country**	**Assets**	**Liabilities**	**Sales**	**Net income**	**Parent company**	**Group**
Hymetal S.A.*	France	7.7	6.3	15.6	0.3	-	40.0
Haida-MacGREGOR Jiangyin Sealing Co., Ltd*	China	5.0	1.5	9.2	0.7	-	25.0
Kalmar (Malaysia) Sdn. Bhd.**	Malaysia	0.3	0.3	0.5	0.0	-	50.0
Montaje, Mantenimiento y Reformas de Instalaciones Portuarias, S.A.*	Spain	9.8	7.3	10.2	0.3	-	30.0
Processiones, Superficiales y Aplicaciones, S.L.*	Spain	0.4	0.2	1.3	0.0	-	30.0
Dalian Nurmi Hydraulics Co Ltd.*	China	5.6	0.0	5.2	0.2	25.0	25.0
Starmax V.O.F**	Netherlands	3.0	2.7	7.4	0.3	-	50.0

On December 31, 2008, in addition to companies mentioned above, Cargotec had holdings in 4 associated companies.

Dec 31, 2007

						Shareholding (%)	
MEUR	**Country**	**Assets**	**Liabilities**	**Sales**	**Net income**	**Parent company**	**Group**
Hymetal S.A.*	France	7.9	6.8	15.3	0.0	-	40.0
Haida-MacGREGOR Jiangyin Sealing Co., Ltd*	China	4.3	0.7	6.0	0.8	-	25.0
Kalmar (Malaysia) Sdn. Bhd.**	Malaysia	0.9	0.4	4.7	0.1	-	50.0
Montaje, Mantenimiento y Reformas de Instalaciones Portuarias, S.A.*	Spain	7.9	6.3	16.8	0.7	-	30.0

On December 31, 2007, in addition to companies mentioned above, Cargotec had holdings in 5 associated companies and 2 joint ventures.

The figures presented in the tables above are based on the latest available financial statements.

* Associated company
** Joint venture

17. Non-current Available-for-sale Investments

MEUR	2008	2007
Book value Jan 1	2.3	1.6
Translation difference	-0.1	0.0
Additions	0.4	0.2
Disposals	-0.1	-0.1
Reclassification	-0.6	0.0
Companies acquired	0.0	0.6
Book value Dec 31	**2.0**	**2.3**

Non-current available-for-sale investments include unlisted shares which are carried at cost as the fair value of these assets cannot be measured reliably or the fair value would not significantly differ from the acquisition cost.

18. Deferred Tax Assets and Liabilities

Deferred tax assets

MEUR	Jan 1, 2008	Charged to income statement	Charged to shareholders' equity	Translation difference	Acquired/sold companies	Dec 31, 2008
Tax losses carried forward	14.9	10.0	-	-1.7	-	23.3
Provisions	15.2	2.3	-	0.5	0.1	18.1
Depreciation difference	1.6	-0.3	-	-0.1	0.1	1.4
Pensions	3.9	0.0	-	-0.3	-	3.7
Consolidation entries	7.7	-0.7	-	-0.1	0.1	7.0
Change in fair value	1.8	-	32.4	0.2	0.0	34.4
Other temporary differences for assets	10.4	-1.1	-	0.0	0.1	9.4
Total	**55.5**	**10.3**	**32.4**	**-1.4**	**0.4**	**97.2**

Deferred tax liabilities

MEUR	Jan 1, 2008	Charged to income statement	Charged to shareholders' equity	Translation difference	Acquired/sold companies	Dec 31, 2008
Depreciation difference	3.9	-0.7	-	-0.4	0.0	2.7
Goodwill amortisation	3.4	0.5	-	0.2	0.5	4.6
Allocation of fair value on acquisitions	12.7	-3.1	-	-1.0	0.2	8.9
Research and development	1.1	1.7	-	-	-	2.8
Change in fair value	8.4	-	4.6	0.1	0.0	13.2
Other temporary differences for liabilities	9.0	1.5	-	-0.5	0.8	10.8
Total	**38.5**	**0.0**	**4.6**	**-1.7**	**1.5**	**43.0**

Deferred tax assets

MEUR	Jan 1, 2007	Charged to income statement	Charged to shareholders' equity	Translation difference	Acquired/sold companies	Dec 31, 2007
Tax losses carried forward	16.0	-2.0	-	-0.6	1.5	14.9
Provisions	10.0	5.4	-	-0.7	0.4	15.2
Depreciation difference	1.6	0.0	-	0.0	0.1	1.6
Pensions	3.6	0.3	-	0.0	0.1	3.9
Consolidation entries	6.3	1.4	-	0.0	0.0	7.7
Change in fair value	1.5	-	0.6	0.0	-0.3	1.8
Other temporary differences for assets	11.7	-1.1	-	-0.4	0.2	10.4
Total	**50.7**	**4.0**	**0.6**	**-1.7**	**2.0**	**55.5**

Deferred tax liabilities

MEUR	Jan 1, 2007	Charged to income statement	Charged to shareholders' equity	Translation difference	Acquired/sold companies	Dec 31, 2007
Depreciation difference	3.3	0.3	-	-0.1	0.4	3.9
Goodwill amortisation	2.4	0.8	-	-0.3	0.4	3.4
Allocation of fair value on acquisitions	11.5	-2.5	-	-0.2	3.8	12.7
Research and development	0.0	1.1	-	0.0	-	1.1
Change in fair value	5.5	0.0	3.7	-0.4	-0.3	8.4
Other temporary differences for liabilities	7.7	0.1	-	-0.3	1.5	9.0
Total	**30.5**	**-0.2**	**3.7**	**-1.3**	**5.8**	**38.5**

On December 31, 2008 Cargotec had EUR 68.1 (Dec 31, 2007: 110.6) million of tax losses carried forward of which no deferred tax assets were recognised because the realisation of the tax benefit is not probable. The tax losses of EUR 6.0 (Dec 31, 2007: 0.1) million will expire during next five years and the rest EUR 62.1 (Dec 31, 2007: 105.8) million have no expiry date or it is over five years.

Deferred tax liability on undistributed earnings of foreign subsidiaries has not been recognised because distribution of the earnings is in the control of Cargotec and such distribution is not probable within the foreseeable future.

19. Inventories

MEUR	Dec 31, 2008	Dec 31, 2007
Raw materials and supplies	274.6	231.5
Work in progress	355.4	228.4
Finished goods	198.5	163.7
Advance payments	53.5	33.8
Total	**881.9**	**657.4**

Obsolescence allowances of inventories to net realisable value were EUR 49.9 (Dec 31, 2007: 38.4) million during the period.

20. Financial Instruments by Category

Book value by category of financial assets on Dec 31, 2008

MEUR	Loans and receivables at amortised cost	Available-for-sale financial assets	Assets at fair value through profit or loss	Derivatives defined as cash flow hedges	Book value Dec 31. 2008
Non-current financial assets					
Interest-bearing receivables	7.7				7.7
Available-for-sale investments		2.0			2.0
Derivative assets				55.0	55.0
Other non-interest-bearing receivables	8.1				8.1
Total	**15.8**	**2.0**	**-**	**55.0**	**72.8**
Current financial assets					
Loans receivable	0.2				0.2
Derivative assets			82.1	48.3	130.4
Accounts receivable and other non-interest-bearing receivables	714.0				714.0
Cash and cash equivalents	79.2				79.2
Total	**793.5**	**-**	**82.1**	**48.3**	**923.9**
Total financial assets	**809.3**	**2.0**	**82.1**	**103.3**	**996.7**

Book value by category of financial liabilities on Dec 31, 2008

MEUR	Financial liabilities at amortised cost	Liabilities at fair value through profit or loss	Derivatives defined as cash flow hedges	Book value Dec 31, 2008
Non-current financial liabilities				
Interest-bearing liabilities	440.2			440.2
Derivative liabilities			84.5	84.5
Other non-interest-bearing liabilities	26.6			26.6
Total	**466.9**	**-**	**84.5**	**551.4**
Current financial liabilities				
Interest-bearing liabilities	114.6			114.6
Derivative liabilities		14.9	114.5	129.3
Accounts payable and other non-interest-bearing liabilities	695.2			695.2
Total	**809.8**	**14.9**	**114.5**	**939.1**
Total financial liabilities	**1,276.6**	**14.9**	**199.0**	**1,490.5**

Book value by category of financial assets on Dec 31, 2007

MEUR	Loans and receivables at amortised cost	Available-for-sale financial assets	Assets at fair value through profit or loss	Derivatives defined as cash flow hedges	Book value Dec 31, 2007
Non-current financial assets					
Interest-bearing receivables	5.5				5.5
Available-for-sale investments		2.3			2.3
Derivative assets				8.9	8.9
Other non-interest-bearing receivables	12.0				12.0
Total	**17.5**	**2.3**	**-**	**8.9**	**28.7**
Current financial assets					
Loans receivable	0.4				0.4
Derivative assets			23.3	27.4	50.8
Accounts receivable and other non-interest-bearing receivables	582.8				582.8
Cash and cash equivalents	179.0				179.0
Total	**762.3**	**-**	**23.3**	**27.4**	**813.1**
Total financial assets	**779.8**	**2.3**	**23.3**	**36.3**	**841.8**

Book value by category of financial liabilities on Dec 31, 2007

MEUR	Financial liabilities at amortised cost	Liabilities at fair value through profit or loss	Derivatives defined as cash flow hedges	Book value Dec 31, 2007
Non-current financial liabilities				
Interest-bearing liabilities	433.3			433.3
Derivative liabilities			14.9	14.9
Other non-interest-bearing liabilities	52.2			52.2
Total	**485.5**	**-**	**14.9**	**500.4**
Current financial liabilities				
Interest-bearing liabilities	55.1			55.1
Derivative liabilities		2.6	15.0	17.6
Accounts payable and other non-interest-bearing liabilities	614.5			614.5
Total	**669.6**	**2.6**	**15.0**	**687.3**
Total financial liabilities	**1,155.1**	**2.6**	**29.9**	**1,187.7**

Derivative instruments are presented in fair value. The fair values of interest-bearing receivables and accounts payable and other non-interest-bearing payables are not materially different from balance sheet values. Information on fair values of other items is presented in their respective notes.

21. Accounts Receivable and Other Non-interest-bearing Receivables

Non-current receivables

MEUR	Dec 31, 2008	Dec 31, 2007
Non-current non-interest-bearing assets	8.1	12.0

Current receivables

MEUR	Dec 31, 2008	Dec 31, 2007
Accounts receivable	535.9	475.9
Receivables from construction contracts	77.7	26.2
Deferred interests	4.5	4.6
Other deferred assets	96.0	76.1
Total	**714.0**	**582.8**

The Company has deducted EUR 15.5 (Dec 31, 2007: 11.1) million for doubtful accounts from accounts receivable.

Ageing analysis of accounts receivable

MEUR	Dec 31, 2008	Dec 31, 2007
Undue	367.7	346.8
1–90 days due	147.4	111.8
91–360 days due	29.4	21.4
Over 360 days due	6.9	7.0
Total	**551.4**	**487.0**

22. Cash and Cash Equivalents

MEUR	Dec 31, 2008	Dec 31, 2007
Cash at bank and in hand	78.2	100.5
Short-term deposits	1.1	78.4
Total	**79.2**	**179.0**

Cash and cash equivalents in the cash flow statement

MEUR	Dec 31, 2008	Dec 31, 2007
Total cash and cash equivalents	79.2	179.0
Bank overdrafts used	-33.3	-11.4
Cash and cash equivalents in the cash flow statement	**45.9**	**167.5**

23. Equity

Total equity consists of share capital, share premium account, treasury shares, translation differences, fair value reserves, retained earnings and minority interest. The share premium account includes the impacts of change in share capital, which exceeds the accounting par value of the shares. Translation differences caused by translation of foreign companies' financial statements are included in translation differences. Fair value reserves include the changes in fair value of derivatives hedging cash flows and changes in fair value of available-for-sale financial assets. Net income for the period is recorded in retained earnings.

Shares and share capital

According to Cargotec's Articles of Association, the Company's share capital is divided into class A and class B shares, the maximum total number of shares being 260 million. The number of class A shares is at maximum 260 million and the number of class B shares is at maximum 260 million. Cargotec class B shares are quoted on the NASDAQ OMX Helsinki. The accounting par value of both class A and class B shares is EUR 1 per share. The shares have no nominal value. The Articles of Association state that the company's minimum share capital is EUR 60 million and the maximum share capital EUR 260 million. The share capital can be raised or reduced within these limits without an amendment to the Articles of Association. Cargotec's share capital is fully paid up.

At the Annual General Meeting, each class A share is assigned one vote, as is each block of 10 class B shares, with the provision that each shareholder is entitled to at least one vote. Cargotec class B shares entitle the holder to a higher dividend than class A shares. According to the Articles of Association, class B shares entitle to at least one percent and at most 2.5 percent higher dividend than class A shares, calculated from the accounting par value of the share.

At the end of 2008, Cargotec held 2,990,725 (Dec 31, 2007: 1,904,725) class B shares as treasury shares. The total cost for shares purchased during the financial period was EUR 23.6 (Jan 1–Dec 31, 2007: 46.1) million. Board authorisations to resolve to repurchase and to dispose treasury shares and to increase the share capital are presented in the chapter Shares and Shareholders.

Number of shares

	Number of class A shares	Number of class B shares	Total
Number of shares on Jan 1, 2007	9,526,089	54,520,371	64,046,460
Share subscription with option rights	0	173,913	173,913
Number of shares on Dec 31, 2007	**9,526,089**	**54,694,284**	**64,220,373**
Treasury shares on Dec 31, 2007	0	-1,904,725	-1,904,725
Number of shares outstanding on Dec 31, 2007	**9,526,089**	**52,789,559**	**62,315,648**
Number of shares on Jan 1, 2008	9,526,089	54,694,284	64,220,373
Share subscription with option rights	0	83,907	83,907
Number of shares on Dec 31, 2008	**9,526,089**	**54,778,191**	**64,304,280**
Treasury shares on Dec 31, 2008	0	-2,990,725	-2,990,725
Number of shares outstanding on Dec 31, 2008	**9,526,089**	**51,787,466**	**61,313,555**

Dividend distribution

After December 31, 2008 the following dividends were proposed by the Board of Directors to be paid: EUR 0.59 per each class A share and EUR 0.60 per each class B share in circulation, a total of EUR 36,692,872.11.

24. Share-based Payments

Option programme

Cargotec option rights 2005A and 2005B are based on the demerged Kone Corporation's 2004 option programme. At the effective date of the demerger June 1, 2005, holders of option rights under the Kone 2004 option programme received new option rights so that each series A option right of Kone Corporation was converted into one series 2005A option right of Cargotec and one series A option right of new KONE, and each series B option right of Kone was converted into one series 2005B option right of Cargotec and one series B option right of new KONE.

At the date of the demerger on June 1, 2005, the personnel of the demerged Kone Corporation held 72,185 Cargotec 2005A option rights and 125,240 Cargotec 2005B option rights.

Trading with 2005A option rights ended on March 20, 2008 and share subscription period on March 31, 2008. 2005B option rights are listed on the NASDAQ OMX Helsinki. Each Cargotec option right entitles the holder to subscribe for three class B shares in Cargotec. The shares that have been subscribed for under the option rights are entitled to dividends for the financial period during which the subscription has taken place. Other shareholder rights are effected upon the registration of the increase of the share capital in the trade register. The share subscription price is EUR 8.59. 2005B option rights entitle the holder to subscribe for class B shares in Cargotec annually, during the period January 2–November 30, on dates separately determined by the Board of Directors, so that 2005B option rights entitle subscription during the period June 13, 2005–March 31, 2009.

Cargotec has applied IFRS 2 (Share-based Payment) to option and plans where options have been granted and vesting period has been started after the formation of the Company on June 1, 2005.

The share-based incentive scheme of the year 2007

In January 2007, Cargotec published a new share-based incentive scheme for the company's key managers for the years 2007–2011. The rewards will be paid during 2009–2012 in both class B shares and cash. The cash portion is dedicated to cover possible taxes and tax-related payments resulting from the total reward. Shares distributed as reward will contain a prohibition to hand over or sell the shares within one year of the end of an earnings period with the exception of the final earnings period when no prohibitions are included. The shares will be lost if the holder leaves the company before the prohibition period ends.

At the end of December 2008, the earnings period 2007–2008 involves 62 persons. If they were to receive the maximum number of shares in accordance with the scheme, a total of 135,825 shares, their shareholding obtained via the programme would amount to 0.1 percent of the total voting rights of Company's class A and B shares. Share price at grant date was EUR 45.14.

The share-based incentive scheme of the year 2005

In July 2005, Cargotec's Board of Directors decided on a new share-based incentive scheme for 35 top management members. The scheme included share options and synthetic options. The duration of the incentive scheme at the grant date was 1.6 years. The top management was granted 20,660 Cargotec 2005B option rights and 65,000 synthetic option rights.

The fair value of the share option rights at the grant date was based on the weighted average trading price of Cargotec 2005A and 2005B option rights during June–August 2005 and was EUR 46.05. The option rights were granted free of charge and were fully expensed at the grant as there were not employment obligation connected them. The option rights were handed over to the participants of the incentive scheme in March 2007. The earnings criteria for synthetic options was defined to be the Cargotec's class B share performance during July 2005–February 2007. The synthetic options were settled in cash in March 2007. The fair value of the options was EUR 28.22 at payment day.

Changes in the number of option rights

Number of option rights	Number of 2005A options	Number of 2005B options
At the beginning of the financial period Jan 1, 2007	37,895	82,955
Exercised option rights	-25,170	-32,801
At the end of financial period Dec 31, 2007	**12,725**	**50,154**
Exercisable option rights on Dec 31, 2007	12,725	50,154

	Number of 2005A options	Number of 2005B options
At the beginning of the financial period Jan 1, 2008	12,725	50,154
Exercised option rights	-12,725	-15 244
At the end of financial period Dec 31, 2008	**0**	**34,910**
Exercisable option rights on Dec 31, 2008	0	34,910

The weighted average share price at the dates of exercise of share options in 2008 was EUR 20.38 (Jan 1–Dec 31, 2007: 38.60).

25. Interest-bearing Liabilities

Carrying amounts of interest-bearing liabilities

MEUR	Dec 31, 2008	Dec 31, 2007
Non-current		
Loans from financial institutions	120.4	122.5
Corporate bonds	314.7	302.8
Finance lease liabilities	5.3	8.0
Total	**440.2**	**433.3**
Current portion of long-term loans		
Loans from financial institutions	0.4	0.5
Finance lease liabilities	3.6	3.0
Total	**4.0**	**3.5**
Current		
Loans from financial institutions	77.3	40.2
Bank overdrafts used	33.3	11.4
Total	**110.6**	**51.6**
Total interest-bearing liabilities	**554.8**	**488.4**

On December 31, 2008, the average effective interest rate of long-term loans and corporate bonds was 4.9 (December 31, 2007: 5.0) percent. The effective euro interest rate, after hedging of USD denominated corporate bonds through cross-currency and interest rate swaps, was 4.4 (December 31, 2007: 4.5) percent. The average interest rate of short-term loans was 4.3 (December 31, 2007: 5.7) percent.

The fair values of corporate bonds, presented below, are calculated as discounted cash flows using market rates. The fair values of other interest-bearing liabilities are not materially different from their carrying amounts.

Corporate bonds

			Fair value, MEUR	
	Coupon rate, %	Nominal value	Dec 31, 2008	Dec 31, 2007
2005–2012	3.80	EUR 100 million	100.1	94.4
2007–2014	5.44	USD 95 million	79.6	68.8
2007–2017	5.58	USD 120 million	107.5	88.2
2007–2019	5.68	USD 85 million	79.1	63.4

Interest-bearing liabilities per currency

MEUR	Dec 31, 2008	Dec 31, 2007
USD*	217.9	211.8
EUR	260.4	208.0
CNY	31.7	28.2
SEK	19.9	25.3
Other	25.0	15.1
Total	**554.8**	**488.4**

*USD denominated Private Placement corporate bonds are hedged through cross currency and interest rate swaps defined as cash flow hedges in accordance with IAS 39.

Finance lease liabilities

Cargotec has non-cancellable finance lease agreements for property, plant and equipment with varying terms and renewal rights.

Minimum lease payments

MEUR	Dec 31, 2008	Dec 31, 2007
Minimum lease payments		
Less than 1 year	3.6	3.5
1–5 years	4.5	6.4
Over 5 years	2.9	4.1
Total	**11.1**	**14.0**
Future finance charges	-2.1	-3.1
Present value of finance lease liabilities	**8.9**	**10.9**

Present value of minimum lease payments

MEUR	Dec 31, 2008	Dec 31, 2007
Less than 1 year	3.6	3.0
1–5 years	3.3	5.1
Over 5 years	2.0	2.8
Present value of finance lease liabilities	**8.9**	**10.9**

26. Employee Benefits

Cargotec has various employee benefit plans throughout the world. Pension arrangements are made in accordance with local regulations and practise in line with the defined contribution pension plans or defined benefit pension plans. For defined benefit pension plans retirement, disability, death and termination income benefits are determined, retirement benefits generally being a function of years worked and final salary.

In Finland, pension cover has been arranged through local insurance companies in accordance with defined contribution plans (Finnish Statutory Employment Pension Scheme "TyEL"). In Sweden several companies have arranged the pension cover through both insurance companies and book reserves in accordance with the Swedish "FPG/PRI System".

The main countries having funded defined benefit plans are UK, USA, Norway and Sweden. Defined benefit pension plans are funded by the relevant group companies to satisfy local statutory funding requirements. The discount rates used in actuarial calculations of employee benefits liabilities are adjusted to market rates.

Amounts recognised in balance sheet

	Defined benefit plans		Other post-employment benefits		Total	
MEUR	**Dec 31, 2008**	**Dec 31, 2007**	**Dec 31, 2008**	**Dec 31, 2007**	**Dec 31, 2008**	**Dec 31, 2007**
Present value of unfunded obligations	21.1	30.2	-	-	21.1	30.2
Present value of funded obligations	32.0	37.9	-	-	32.0	37.9
Fair value of benefit plans' assets	-18.3	-27.1	-	-	-18.3	-27.1
Unrecognised actuarial gains (+)/losses (-)	-1.3	-5.9	-	-	-1.3	-5.9
Total	**33.5**	**35.2**	**-**	**-**	**33.5**	**35.2**

Movement in the benefit obligation

	Defined benefit plans		Other post-employment benefits		Total	
MEUR	**Dec 31, 2008**	**Dec 31, 2007**	**Dec 31, 2008**	**Dec 31, 2007**	**Dec 31, 2008**	**Dec 31, 2007**
Benefit obligation at the beginning of period	68.0	68.5	-	-	68.0	68.5
Current service costs	1.5	1.4	-	-	1.5	1.4
Interest costs	2.6	2.8	-	-	2.6	2.8
Contributions by plan participants	-2.2	1.3	-	-	-2.2	1.3
Net actuarial gains (-) / losses (+) recognised	-1.0	-0.4	-	-	-1.0	-0.4
Translation difference	-10.3	-3.2	-	-	-10.3	-3.2
Benefits paid	-4.3	-2.4	-	-	-4.3	-2.4
Acquisitions/Disposals of new companies	-	0.7	-	-	-	0.7
Curtailments	-1.1	-0.7	-	-	-1.1	-0.7
Past-service costs	-	0.0	-	-	-	0.0
Benefit obligation at the end of period	**53.1**	**68.0**	**-**	**-**	**53.1**	**68.0**

Movement in the fair value of plan assets

MEUR	Defined benefit plans Dec 31, 2008	Dec 31, 2007	Other post-employment benefits Dec 31, 2008	Dec 31, 2007	Total Dec 31, 2008	Dec 31, 2007
Plan assets at the beginning of period	27.1	27.9	-	-	27.1	27.9
Expected return on plans assets	1.1	1.4	-	-	1.1	1.4
Net actuarial gains (-)/losses (+) recognised	-2.3	-0.7	-	-	-2.3	-0.7
Translation difference	-5.1	-1.6	-	-	-5.1	-1.6
Employer contribution	0.8	1.6	-	-	0.8	1.6
Employee contribution	0.0	0.0	-	-	0.0	0.0
Benefits paid	-1.7	-1.7	-	-	-1.7	-1.7
Acquisitions/Disposals of new companies	-	0.3	-	-	-	0.3
Settlements	-1.5	0.0	-	-	-1.5	0.0
Plan assets at the end of period	**18.3**	**27.1**	**-**	**-**	**18.3**	**27.1**

Pensions recognised in income statement

MEUR	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007
Defined contribution pension plans	21.3	24.9
Defined benefit pension plans	3.0	3.1
Other post-employment benefits	-	-
Total	**24.3**	**27.9**

Defined benefit plans

MEUR	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007
Current service costs	1.3	1.5
Interest costs	2.4	2.9
Expected return on plan assets	-1.1	-1.5
Net actuarial gains (-)/losses (+) recognised	0.3	0.1
Past-service costs	0.0	0.0
Gains/loss curtailments	0.0	0.0
Total	**3.0**	**3.1**

Defined benefit plans: Assumptions used in calculating benefit obligations

	2008		2007	
	Europe	USA	Europe	USA
Discount rate, %	4.3–6.6	6.25–6.5	1.75–6.0	5.75
Expected return on plan assets, %	4.0–6.6	7.0	2.0–7.0	7.0
Future salary increase, %	2.0–4.5	0.0	2.0–5.0	4.5
Future pension increase, %	2.5–4.25		2.0–3.6	
Expected average remaining working years	5–23		11–22	

27. Provisions

MEUR	Provision for warranty	Provision for claims	Provision for business re-organization	Provision for loss contracts	Other provisions	Total
Total provision Jan 1, 2008	70.2	0.5	2.1	5.7	30.7	109.1
Translation difference	-4.6	0.0	0.0	0.0	-3.8	-8.4
Increase	32.3	2.2	3.3	6.1	16.7	60.6
Provision used	-20.5	-0.2	-1.5	-0.3	-0.2	-22.8
Reversal of provision	-10.0	-0.1	-0.3	-4.5	-20.1	-35.0
Companies acquired/sold	0.6	0.0	0.0	0.0	0.7	1.4
Total provision Dec 31, 2008	**68.0**	**2.3**	**3.6**	**7.0**	**24.0**	**105.0**

MEUR	Provision for warranty	Provision for claims	Provision for business re-organization	Provision for loss contracts	Other provisions	Total
Total provision Jan 1, 2007	50.7	0.6	0.1	5.9	15.6	72.9
Translation difference	-1.2	0.0	0.1	-0.1	-0.7	-1.9
Increase	43.1 *	0.2	3.8	4.1	23.2	74.5
Provision used	-13.1	-0.2	-1.3	-0.3	-0.7	-15.6
Reversal of provision	-10.4	-0.1	-0.5	-4.0	-7.6	-22.5
Companies acquired/sold	1.1	-	-	-	0.8	1.9
Total provision Dec 31, 2007	**70.2**	**0.5**	**2.1**	**5.7**	**30.7**	**109.2**

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

MEUR	Dec 31, 2008	Dec 31, 2007
Non-current liabilities	34.6	38.4
Current liabilities	70.4	70.8
Total	**105.0**	**109.2**

Provisions for warranties cover the expenses related to warranty claims from goods sold in the financial period or earlier with a valid warranty. Provisions for claims are made for claims received for which the value, probability and realisation can be estimated. Provisions for loss contracts are recognised when it is probable that contract costs will exceed the estimated total contract revenue. The expected loss is recognised as an expense immediately. Other provisions include various items, e.g. related to product quality, severance, unemployment and other employment items, taxes and the sale of divested operations.

28. Accounts Payable and Other Non-interest-bearing Liabilities

Non-current liabilities

MEUR	Dec 31, 2008	Dec 31, 2007
Share-based incentives	-	1.0
Other non-interest-bearing liabilities	26.6	52.2
Total	**26.6**	**53.2**

Current liabilities

MEUR	Dec 31, 2008	Dec 31, 2007
Accounts payable	344.8	363.9
Advances received	420.4	243.8
Accrued interests	17.1	16.3
Share-based incentives	0.2	-
Accrued salaries, wages and employment costs	73.5	73.7
Advance rents, customer finance	29.0	23.6
Project costs	70.7	73.9
Other accrued expenses	188.8	86.8
Total	**1,144.4**	**882.0**

29. Commitments

MEUR	Dec 31, 2008	Dec 31, 2007
Guarantees	0.2	2.2
Dealer financing	0.2	8.4
End customer financing	11.5	7.5
Operating leases	48.0	47.7
Off balance sheet investment commitments	-	1.2
Other contingent liabilities	4.0	3.7
Total	**63.9**	**70.6**

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	Dec 31, 2008	Dec 31, 2007
Less than 1 year	14.9	14.1
1–5 years	26.5	27.4
Over 5 years	6.7	6.3
Total	**48.0**	**47.7**

The aggregate operating lease expenses totalled EUR 15.6 (Jan 1–Dec 31, 2007: 13.6) million.

30. Derivatives

Fair values of derivative financial instruments

MEUR	Positive fair value Dec 31, 2008	Negative fair value Dec 31, 2008	Net fair value Dec 31, 2008
FX forward contracts. cash flow hedges	79.6	199.0	-119.4
FX forward contracts, non-hedge accounted	82.1	14.9	67.2
Cross currency and interest rate swaps, cash flow hedges	23.7	-	23.7
Total	**185.4**	**213.8**	**-28.4**
Non-current portion:			
FX forward contracts, cash flow hedges	31.3	84.5	-53.2
Cross currency and interest rate swaps, cash flow hedges	23.7	-	23.7
Non-current portion	**55.0**	**84.5**	**-29.5**
Current portion	**130.4**	**129.3**	**1.1**

MEUR	Positive fair value Dec 31, 2007	Negative fair value Dec 31, 2007	Net fair value Dec 31, 2007
FX forward contracts. cash flow hedges	36.3	25.0	11.3
FX forward contracts. non-hedge accounted	23.3	2.6	20.7
Cross currency and interest rate swaps. cash flow hedges	-	4.9	-4.9
Total	**59.7**	**32.6**	**27.1**
Non-current portion:			
FX forward contracts, cash flow hedges	8.9	10.0	-1.1
Cross currency and interest rate swaps. cash flow hedges	-	4.9	-4.9
Non-current portion	**8.9**	**14.9**	**-6.0**
Current portion	**50.8**	**17.6**	**33.2**

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

Nominal values of derivative financial instruments

MEUR	Dec 31, 2008	Dec 31, 2007
FX forward contracts	3,617.5	2,610.0
Cross currency and interest rate swaps	225.7	225.7
Total	**3,843.3**	**2,835.7**

31. Group as Lessor

Cargotec rents out container handling equipment under non-cancellable operating leases. The leases have varying terms and renewal rights.

The future minimum lease receivables under non-cancellable operating leases

MEUR	Dec 31, 2008	Dec 31, 2007
Less than 1 year	10.5	11.8
1–5 years	15.0	18.9
Over 5 years	0.8	3.2
Total	**26.3**	**33.9**

Rent income recognised in sales was EUR 13.9 (Jan 1-Dec 31, 2007: 15.7) million.

32. Related-party Transactions

Transactions with associated companies and joint ventures

	Associated companies		Joint ventures		Total	
MEUR	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007
Sale of goods and services	8.0	7.5	7.2	4.6	15.2	12.1
Purchase of goods and services	17.6	5.6	0.0	0.1	17.6	5.7

Balances with associated companies and joint ventures

	Associated companies		Joint ventures		Total	
MEUR	Dec 31, 2008	Dec 31, 2007	Dec 31, 2008	Dec 31, 2007	Dec 31, 2008	Dec 31, 2007
Current loans receivable	-	-	0.2	0.2	0.2	0.2
Accounts receivable	2.0	1.5	3.9	1.3	5.9	2.8
Accounts payable	2.3	1.1	0.0	0.0	2.3	1.1

Transactions with associated companies and joint ventures are made at market price.

Key management compensation

MEUR	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007
Wages and salaries	4.2	3.7
Share-based key management incentive scheme	-0.4	1.3
Post-employment benefits	0.1	0.2
Total	**3.9**	**5.3**

Key management consists of the Board of Directors and the Executive Board. Executive Board members are covered by the Cargotec's share-based incentive programme for key managers for period 2007–2011. The maximum amount to be paid out to Exceutive Board members for the earnings period as shares is 58,000 class B shares. Further information on this incentive programme is presented in Note 24. Share-based Payments.

The period of notice of the President and CEO is six months and he has a right to a compensation for termination of employment of 12 months. Other members of the Executive Board have a period of notice of 6-12 months and are entitled to compensation for termination of employment corresponding to 6-12 months' salary. One member is entitled to retire at the age of 60. In this case, the pension received corresponds to 60 percent of the total average annual salary excluding share-based incentive programmes in the last ten full years of service. This arrangement has been covered with insurances taken out by the Company.

The loans Cargotec has granted to Moving Cargo Oy, a company jointly-owned by the members of the Executive Board, for financing an incentive programme for the Executive Board amount to EUR 3.5 million at December 31, 2008 (Dec 31, 2007: EUR 2.0 million). Of the total amount EUR 0.5 million is non-interest-bearing convertible bond loan which falls due on March 31, 2012. The rest of the loan carries an interest of 4.78% and will be repaid latest when due on March 31, 2012.

Salaries, bonuses and other monies paid

1.000 EUR		Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007
Mikael Mäkinen	President and CEO	772.1	673.2
Pekka Vauramo	Deputy to CEO (as of Dec 18, 2008)	12.3	-
Kari Heinistö	Deputy to CEO (until Dec 18, 2008)	455.1	854.5 *
Ilkka Herlin	Chairman of the Board	73.7	74.2
Henrik Ehrnrooth	Debuty Chairman of the Board	46.5	46.0
Tapio Hakakari	Board member	41.7	42.2
Peter Immonen	Board member	42.0	44.0
Karri Kaitue	Board member	35.0	36.0
Antti Lagerroos	Board member (as of Feb 29, 2008)	30.0	-
Carl-Gustaf Bergström	Board member (until Feb 29, 2008)	5.5	592.9 *

Further information on share and option ownership of the Board of Directors and top management is available under the section "Shares and Shareholders".

* Cargotec's previous President and CEO and member of BoD, Carl-Gustaf Bergström, and Senior Executive Vice President, Kari Heinistö, were part of Cargotec top management incentive scheme that ended in March 2007.

33. Principal Subsidiaries on Dec 31, 2008

	Country	Group shareholding (%)
Cargotec Finland Oy	Finland	100
Cargotec Sweden AB	Sweden	100
MacGREGOR (SWE) AB	Sweden	100
Cargotec Solutions LLC	USA	100
MacGREGOR-Kayaba Ltd	Japan	75
MacGREGOR Plimsoll Pte Ltd	Singapore	90
Kalmar Asia Pacific Ltd	Hong Kong	100
Kalmar RT Center LLC	USA	100
Hiab GmbH	Germany	100
Kalmar Industries B.V.	The Netherlands	100
Kalmar Flurförderzeuge Vertriebs GmbH	Germany	100
MacGREGOR Bulk AB	Sweden	100
MacGREGOR Hydramarine AS	Norway	90
Hiab B.V.	The Netherlands	100
Cargotec USA Inc	USA	100
Kalmar Belgium NV	Belgium	100
Hiab S.A.S	France	100
Kalmar Hebefahrzeuge Handelges.m.b.H.	Austria	100
Hiab Ltd.	UK	100

	Country	Group shareholding (%)
Hiab, S.A.	Spain	100
Kalmar Ltd.	UK	100
MacGREGOR Shanghai Trading Co., Ltd.	China	100
Kalmar Rental B.V.	The Netherlands	100
Waltco Truck Equipment Co. Inc.	USA	100
Z-Lyften Produktion AB	Sweden	100
Cargotec CHS Asia Pacific Pte Ltd.	Singapore	100
Hiab Australia Pty. Ltd.	Australia	80
Catracom NV	Belgium	100
MacGREGOR (DEU) GmbH	Germany	100
Hiab AS	Norway	100
Hiab K.K.	Japan	100
OOO Cargotec RUS	Russia	100
Kalmar Norge AS	Norway	100
Hiab Hana Ltd.	Republic of Korea	99
Kalmar France S.A.S	France	100
Kalmar South East Asia Pte. Ltd	Singapore	100
Kalmar España, S.A.	Spain	82
Hiab Sp. Z o.o.	Poland	100
Hiab SA/NV	Belgium	100
Servicios Hiab S.A. de C.V.	Mexico	64
Hiab S.A. de C.V.	Mexico	64
Kalmar Port Machinery Shanghai Ltd	China	100
Zepro Danmark A/S	Denmark	100
Moffett Ltd	UK	100
Moffett Engineering Ltd	Ireland	100
Moffett Research & Development Ltd	Ireland	100
Bransdale Limited	Ireland	100
Hiab s.r.l.	Italy	100
MacGREGOR (NOR) AS	Norway	100
Ultron Lift Corp.	USA	100
MacGREGOR (USA) Inc.	USA	100
MacGREGOR (GBR) Ltd	UK	100
MacGREGOR (SGP) Pte Ltd.	Singapore	100
Hiab (Pty) Ltd.	South Africa	74
DEL Equipment (UK) Ltd.	UK	100
Kalmar Equipment (Australia) Pty. Ltd.	Australia	100
Cargotec India Private Limited	India	100
Kalmar Port Machinery (Shenzhen) Co., Ltd	China	100
MacGREGOR (ITA) S.r.l.	Italy	100
MacGREGOR (KOR) Ltd	Republic of Korea	100
MacGREGOR (NLD) B.V.	The Netherlands	100
Hiab Chile S.A.	Chile	100
Zepro France s.a.r.l.	France	100
Interhydraulik Zepro GmbH	Austria	100
Hiab spol s.r.o.	Slovakia	100
MacGREGOR-PCS Inc.	USA	100
Cargotec Services Marine LLC	USA	100
MacGREGOR (FRA) S.A.S.	France	100
Hiab Load Handling Equipment (Shanghai) Co., Ltd	China	100
Kalmar Danmark A/S	Denmark	100
MacGREGOR (GRC) EPE	Greece	100
Hiab s.r.o	Czech Republic	100
Hiab Sdn Bhd	Malaysia	100
AMA Polska Sp. Z o.o.	Poland	100
Cargotec Brazil Indústria e Comércio de Equipamentos para Movimentacao de Cargas Ltda	Brazil	100
MacGREGOR (HRV) d.o.o.	Croatia	100
Moffett B.V.	The Netherlands	100
MacGREGOR (DNK) A/S	Denmark	100
SRMP - Societe Reunionaise de Maintenance Portuaire	France	51
Bromma Far East Pte. Ltd.	Singapore	100
Kalmar Industries South Africa (Pty) Ltd	South Africa	100

	Country	Group shareholding (%)
Hiab Kft.	Hungary	100
Tagros d.o.o.	Slovenia	100
Kalmar Industries (Shanghai) Co., Ltd	China	100
MacGREGOR BLRT Baltic OÜ	Estonia	51
O'Leary's Material Handling Services Pty Ltd	Australia	56
Hiab d.o.o.	Croatia	100
MacGREGOR ESP, S.A.	Spain	100
Hiab Balti AS	Estonia	100
Platform Crane Services Mexico S. de R.L.	Mexico	100
LeeBur-Multilift B.V.	The Netherlands	100
Bromma GmbH	Germany	100
OOO MacGREGOR (RUS)	Russia	100
Hiab New Zealand Ltd	New Zealand	80
Kalmar ACT B.V.	The Netherlands	100
MacGREGOR (POL) Sp. Z o.o	Poland	100
MacGREGOR (BRA) Ltda	Brazil	100
All Set Marine Lashing AB	Sweden	100
Equipos y Servicios Para terminales y Puertos S.R.L.	Argentina	100
MacGREGOR Group AB	Sweden	100
Hiab Cranes, S.L.	Spain	100
Cargotec Ukraine, LLC	Ukraine	100
Cargotec de México, S.A. de C.V.	Mexico	100
Officine Cargotec Ferrari Prato S.r.l.	Italy	80
Officine Cargotec Ferrari Genova S.r.l.	Italy	80
Cargotec U.S. Manufacturing Oy	Finland	100
Cargotec Holding Netherlands B.V.	The Netherlands	100
Cargotec Holding (Ireland) Ltd.	Ireland	100
Cargotec Norway AS	Norway	100
Cargotec Holding Sweden AB	Sweden	100
Cargotec U.S. Sales Oy	Finland	100
Cargotec Holding, Inc.	USA	100
Cargotec Holding UK Ltd.	UK	100
Cargotec Holding S.a.r.l.	France	100
MacGREGOR Beteiligungs GmbH	Germany	100
Kalmar Industries S.r.l.	Italy	100
Conver Ingenieurtechnik GmbH & Co KG	Germany	100
Zeteco AB	Sweden	100
Kalmar Holding BV	The Netherlands	100
Cargotec Holding Finland Oy	Finland	100
MHI Acquisition Corp.	USA	100
MacGREGOR S.A.S.	France	100
Kalmar B.V.	The Netherlands	100
Bringeven Ltd.	UK	100
Koffert Sverige AB	Sweden	100
Kalmar RT Holding LLC	USA	100
Kalmar Nevada Inc.	USA	100
Cargotec Patenter AB	Sweden	100
BMH Marine Taiwan Branch	Taiwan	100
MacGREGOR Shanghai Equipment Maintenance & Repair Co., Ltd.	China	100
Cargotec Engineering Italy S.r.l.	Italy	60
MacGREGOR (CYPRUS) Ltd.	Cyprus	100
MacGREGOR (UKR)	Ukraine	99
MacGREGOR Goodway (Shanghai) Marine Engineering Consulting Co., Ltd.	China	67
Cargotec FZCO	United Arab Emirates	100
Bromma (Malaysia) Sdn. Bhd.	Malaysia	100
OOO Kalmar Pogruchiki I Crani	Russia	100
Cargotec Swizerland S.A.	Switzerland	100
MacGREGOR (CHN) Ltd	Hong Kong	100

Other subsidiaries (32 companies)

A complete list of shares and participations is enclosed in Cargotec's official statutory accounts.

34. Events after the Balance Sheet Date

Staff reductions continued in January as the markets continued to weaken. In the unit manufacturing tail lifts in Bispgården, Sweden, negotiations began on the need for a reduction in the workforce of 75. At Kalmar's Ljungby and Lidhult units in Sweden, negotiations began on the need for a reduction in the workforce of 97. Cargotec plans to make its operations more efficient by reorganising and transferring a majority of its business in Ljungby to its Lidhult facility. Meanwhile, in Finland negotiations began for the temporary lay-off of 900 staff for a maximum of 90 days in Raisio and Tampere and a reduction of 60 staff in Tampere.

Financial Statements of the Parent Company (FAS)

Parent Company Income Statement

MEUR	Note	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007
Sales		26.1	16.6
Administration expenses	2,3	-34.7	-22.5
Other operating income	4	0.0	0.0
Other operating expenses	5	-	0.0
Operating income/loss		**-8.6**	**-5.9**
Financing income and expenses	6		
Interest and financial income			
From subsidiaries		364.1	132.4
From other		208.0	118.1
Interest and other financial expenses			
To subsidiaries		-50.6	-28.4
To other		-370.6	-137.4
Total financing income and expenses		150.8	84.7
Income before extraordinary items		**142.3**	**78.8**
Extraordinary items	7		
Extraordinary income		-	12.8
Extraordinary expenses		-	0.0
Total extraordinary items		-	12.8
Income before appropriations and taxes		**142.3**	**91.6**
Taxes	8	-	0.0
Change in deferred taxes		16.2	3.9
Profit for the financial period		**158.5**	**95.4**

Figures are presented according to Finnish Accounting Standards (FAS).

Parent Company Balance Sheet

MEUR	Note	Dec 31, 2008	Dec 31, 2007
Assets			
Non-current assets			
Intangible assets			
Intangible rights		0.1	0.0
Other long-term expenditures		1.6	-
Total intangible assets	9	**1.6**	**0.0**
Tangible assets			
Land		0.4	0.4
Buildings		0.4	0.6
Machinery and equipment		0.3	0.2
Other tangible assets		0.0	0.1
Assets under construction		1.0	-
Total tangible assets	10	**2.1**	**1.2**
Investments			
Shares in subsidiaries		1,508.2	1,555.4
Shares in associated companies		1.4	-
Other stocks and shares		1.1	1.5
Total investments	11	**1,510.7**	**1,556.9**
Total non-current assets		**1,514.4**	**1,558.1**
Current assets			
Receivables			
Long-term receivables			
Receivables from subsidiaries	12	281.0	33.5
Derivative assets	19	23.7	-
Deferred tax asset		19.4	4.2
Other receivables		7.7	13.6
Total long-term receivables		**331.9**	**51.3**
Short-term receivables			
Accounts receivable		0.0	0.0
Receivables from subsidiaries	12	1,006.6	762.2
Derivative assets	19	5.0	1.5
Other receivables		6.5	-
Deferred assets	13	7.1	5.1
Total short-term receivables		**1,025.3**	**768.8**
Total receivables		**1,357.2**	**820.2**
Cash and bank		**15.2**	**119.5**
Total current assets		**1,372.4**	**939.6**
Total assets		**2,886.8**	**2,497.8**

MEUR	Note	Dec 31, 2008	Dec 31, 2007
Equity and liabilities			
Capital and reserves			
Share capital		64.3	64.2
Share premium account		98.0	97.4
Fair value reserve		25.1	12.6
Treasury shares		-93.6	-70.0
Retained earnings		895.0	864.9
Profit for the financial period		158.5	95.4
Total capital and reserves	14	**1,147.3**	**1,064.6**
Liabilities			
Long-term liabilities			
Corporate bonds		314.7	302.8
Loans from financial institutions		118.8	121.7
Liabilities to subsidiaries	16	50.0	50.0
Derivative liabilities		-	4.9
Deferred tax liability		8.8	5.4
Total long-term liabilities	**15**	**492.4**	**484.8**
Current liabilities			
Loans from financial institutions		49.5	6.6
Accounts payable		3.2	3.0
Liabilities to subsidiaries	16	1,154.6	917.8
Derivative liabilities	19	11.1	1.1
Other liabilities		5.2	-
Deferred liabilities	17	23.5	19.9
Total current liabilities		**1,247.1**	**948.4**
Total liabilities		**1,739.4**	**1,433.2**
Total equity and liabilities		**2,886.8**	**2,497.8**

Figures are presented according to Finnish Accounting Standards (FAS).

Parent Company Cash Flow Statement

MEUR	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007
Cash flow from operating activities		
Operating income/loss	-8.6	-5.9
Adjustments to operating income/loss	0.3	0.1
Change in working capital	9.3	-5.4
Interest paid	-77.4	-129.1
Dividends received	308.9	107.9
Interest received	56.4	117.3
Income taxes paid	-	-2.4
Cash flow from operating activities	**288.9**	**82.5**
Cash flow from investing activities		
Capital expenditure in fixed assets	-3.0	-1.0
Investments in subsidiaries	-57.8	-125.9
Proceeds form investments in subsidiaries	0.0	119.4
Proceeds from sales of fixed assets	0.2	0.0
Investments in other stocks and shares	-1.0	-8.3
Cash flow from investing activities	**-61.6**	**-15.8**
Cash flow from financing activities		
Acquisition of treasury shares	-23.6	-46.1
Share subscriptions with options	0.7	1.5
Increase in loans receivable	-678.7	-379.7
Disbursement of loans receivable	149.3	28.3
Proceeds from short-term borrowings	122.6	166.0
Repayments of short-term borrowings	-	-49.3
Proceeds from long-term borrowings	570.8	275.5
Repayments of long-term borrowings	-420.1	-14.0
Dividends paid	-65.3	-63.2
Group contributions	12.8	47.6
Cash flow from financing activities	**-331.6**	**-33.5**
Change in cash	**-104.3**	**33.2**
Cash and cash equivalents at the beginning of period	119.5	86.3
Cash and cash equivalents at the end of period	**15.2**	**119.5**
Change in working capital:		
Increase in short-term receivables	5.1	-2.7
Decrease in short-term receivables	-	-
Increase in short-term payables	4.2	-
Decrease in short-term payables	-	-2.7
Change in working capital	**9.3**	**-5.4**

Notes to the Parent Company Financial Statements

1. Accounting Principles for the Parent Company Financial Statements

Basis of Preparation

Cargotec Corporation's financial statements have been prepared according to the Finnish Accounting Standards (FAS) for the financial period January 1–December 31, 2008.

Foreign Currency Transactions

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. Foreign currency denominated receivables and payables outstanding at the end of the financial period are revalued at the exchange rate prevailing on the balance sheet date. Exchange rate gains/losses relating to operations are treated as adjustments to sales and costs. Exchange rate gains/losses associated with financial instruments are included in financing income and expenses.

Extraordinary Income and Expenses

The extraordinary income and expenses consist of group contributions paid and received.

Taxes

Tax expenses in the income statement consist of taxes based on taxable income for the period. Deferred tax assets and liabilities, due to temporary differences between the financial statements and tax accounting, are calculated using the future period's tax rate valid on the closing date. The deferred tax assets and liabilities resulting from the fair value fluctuation of the derivative instruments used for hedging the foreign currency nominated bond, funded in February 2007, are recorded on the balance sheet.

Intangible and Tangible Assets, Depreciation and Amortisation

Intangible and tangible assets are stated at cost less impairment losses and accumulated depreciation and amortisation. Depreciation and amortisation are determined based on the expected useful economic life as follows:

Intangible rights	5–10 years
Other capitalised expenditure	5–6 years
Buildings	25 years
Machinery and equipment	3–5 years

Provisions

Provisions are recognised when the Company has a current legal or contractual obligation and no corresponding income is expected, or when probable future losses are to be expected.

Derivative Instruments

Derivative instruments are initially recognised on the balance sheet at cost, which equals the fair value, and subsequently measured at fair value on each balance sheet date. Fair values of forward contracts and forward rate agreements are based on quoted market rates at the balance sheet date. The fair values of cross-currency and interest rate swaps are calculated as present value of estimated future cash flows. Options are valuated based on generally accepted valuation models. No options or forward rate agreements were outstanding on the balance sheet date.

Derivative instruments, for which hedge accounting is applied, and for which the underlying cash flow matures after twelve months, are included in non-current assets and liabilities. Other derivative instruments are included in current assets and liabilities.

Hedge accounting in accordance with IAS 39 is applied to hedges of operative cash flows and hedges of cash flows associated with foreign currency denominated borrowings. To qualify for hedge accounting the Company documents the hedge relationship of the derivative instrument and the underlying hedged item, the Company's risk management targets and the strategy of applying hedge accounting. When starting hedge accounting and at least in every interim closing the Company documents and estimates the effectiveness of the hedge by measuring the ability of the hedging instrument to offset changes in fair value of the underlying asset or cash flow. Changes in the fair value of effective cash flow hedges are recognised in equity in fair value reserve. The ineffective portion is recognised immediately in the income statement. Cumulative gain or loss on the hedge deferred to equity is recognised in the income statement as adjustment to the underlying cash flow when the underlying cash flow is recognised. Changes in the fair value of hedging instruments relating to operative items that no longer are expected to materialise are recognised immediately in the income statement in other operating expenses. If the hedging instrument is sold, the contract is revoked or exercised or the relation of the hedging instrument and the underlying item is revoked, the cumulative change in the fair value of the hedging instrument is booked as a separate item in the equity and is recognised in the income statement when the underlying operative item materialises.

Changes in the fair values of hedges, for which hedge accounting is not applied, are recognised in the income statement, either in operative income and expenses, or financial income and expenses depending on the underlying exposure.

Equity

Equity consists of share capital, share premium account, fair value reserves, treasury shares and retained earnings, less dividends paid. The portion of change in share capital exceeding the accounting par value of the share is recorded in the share premium account. Fair value reserves consist of the cumulative change in the fair value of the derivative instruments defined as cash flow hedges. The net income for the period is recorded in retained earnings.

2. Personnel Expenses

MEUR	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007
Wages and salaries	9.7	9.0
Pension costs	1.3	1.1
Other statutory employer costs	0.4	0.4
Total	**11.3**	**10.5**

The salaries, bonuses and other monies paid to members of the Board during the financial period totalled EUR 0.3 (Jan 1–Dec 31, 2007: 0.3) million.

The salaries, bonuses and other monies paid to the President and CEO, and deputy to CEO during the financial period totalled EUR 1.2 (Jan 1–Dec 31, 2007: 2.1) million.

Average number of employees

	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007
Administrative employees	97	70

Pension benefits of personnel are arranged with external pension insurance company.

Pension benefits for top management

One member of the Executive Board is entitled to retire at the age of 60. In this case, the pension received corresponds to 60 percent of the total average annual salary excluding share incentive programmes in the last ten full years of service. This arrangement has been covered with insurances taken out by the company.

3. Depreciation and Amortisation

MEUR	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007
Intangible rights	0.0	0.0
Other capitalised expenditure	0.1	0.0
Buildings	0.0	0.0
Machinery and equipment	0.1	0.1
Other tangible assets	0.0	0.0
Total	**0.3**	**0.2**

4. Other Operating Income

MEUR	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007
Gain on disposal of assets	0.0	0.0
Total	**0.0**	**0.0**

5. Other Operating Expenses

MEUR	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007
Loss on disposal of assets	-	-
Other expenses	-	0.0
Total	**0.0**	**0.0**

6. Financing Income from Group Companies

Interest and financing income from group companies

MEUR	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007
Interest income	52.9	23.7
Dividend income	308.9	107.9
Exchange rate differences	1.1	-
Other financing income	1.1	0.8
Total	**364.1**	**132.4**

Interest and financing income from external parties

MEUR	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007
Interest income	2.2	4.3
Exchange rate gains	205.8	113.9
Total	**208.0**	**118.1**

Interest and financing expenses to group companies

MEUR	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007
Interest expenses	49.6	28.4
Exchange rate differences	0.9	-
Total	**50.6**	**28.4**

Interest and financing expenses to external parties

MEUR	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007
Interest expenses	21.4	18.2
Exchange rate losses	243.4	116.5
Impairment of investments in subsidiaries	105.0	2.0
Ohter financing expenses	0.9	0.8
Total	**370.6**	**137.4**

7. Extraordinary Items

Extraordinary income

MEUR	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007
Group contributions received	-	12.8

8. Income Taxes

MEUR	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007
Taxes associated with extraordinary items	-	-
Other income tax	-	0.0
Change in deferred taxes	-16.2	-3.9
Total	**-16.2**	**-3.9**

9. Intangible Assets

MEUR	2008	2007
Intangible rights		
Acquisition cost on Jan 1	0.1	0.1
Additions during period	0.1	0.0
Disposals during period	0.0	-
Acquisition cost on Dec 31	0.2	0.1
Accumulated amortisation on Jan 1	0.0	-
Amortisation during the period	0.0	0.0
Accumulated amortisation on Dec 31	0.1	0.0
Book value on Dec 31	**0.1**	**0.0**
Other intangible assets		
Acquisition cost on Jan 1	0.1	0.1
Additions during period	1.6	-
Disposals during period	-	-
Acquisition cost on Dec 31	1.7	0.1
Accumulated amortisation on Jan 1	0.1	0,1
Amortisation during the period	0.1	0.0
Accumulated amortisation on Dec 31	0.2	0.1
Book value on Dec 31	**1.6**	**0.0**

10. Tangible Assets

MEUR	2008	2007
Buildings		
Acquisition cost on Jan 1	0.6	0.2
Additions during period	-	0.4
Disposals during period	-0.2	-
Acquisition cost on Dec 31	0.4	0.6
Accumulated depreciation on Jan 1	0.0	0.0
Disposals	0.0	-
Depreciation during the period	0.0	0.0
Accumulated depreciation on Dec 31	0.0	0.0
Book value on Dec 31	**0.4**	**0.6**
Machinery and equipment		
Acquisition cost on Jan 1	0.3	0.1
Additions during period	0.2	0.2
Disposals during period	0.0	0.0
Acquisition cost on Dec 31	0.5	0.3
Accumulated depreciation on Jan 1	0.1	-
Accumulated depreciation associated with reclassified and disposed items	-	0.0
Depreciation during the period	0.1	0.1
Accumulated depreciation on Dec 31	0.2	0.1
Book value on Dec 31	**0.3**	**0.2**
Other tangible assets		
Acquisition cost on Jan 1	0.1	0.1
Additions during period	0.0	0.0
Disposals during period	0.0	0.0
Acquisition cost on Dec 31	0.1	0.1
Accumulated depreciation on Jan 1	0.1	-
Depreciation during the period	0.0	0.0
Accumulated depreciation on Dec 31	0.1	0.1
Book value on Dec 31	**0.0**	**0.1**
Assets under construction		
Acquisition cost on Jan 1	-	-
Additions during period	1.0	-
Acquisition cost on Dec 31	1.0	-
Book value on Dec 31	**1.0**	**-**

11. Shares and Participations

Shares and Participations

	Shareholding %	Book value Dec 31, 2008 MEUR	Book value Dec 31, 2007 MEUR
Subsidiaries			
Hiab Balti AS	100.0	16.5	10.1
Cargotec Engineering, Italy S.r.l.	60.0	1.1	-
Cargotec Holding Finland Oy	100.0	0.0	0.0
Cargotec Holding Netherlands B.V.	100.0	98.9	98.9
Cargotec Holding S.a.r.l.	100.0	16.5	16.5
Cargotec Sweden AB	100.0	223.4	223.4
Cargotec Holding, Inc.	100.0	208.0	248.0
Cargotec Norway AS	100.0	13.3	13.3
Cargotec Holding Sweden AB	100.0	103.3	163.3
Catracom NV	0.2	0.0	0.0
Ciretek Oy	100.0	0.0	0.0
Forastar Oy Ab	100.0	0.0	0.0
Hiab Oy	-	-	5.0
Hiab d.o.o.	100.0	0.3	0.3
Hiab Kft.	100.0	2.7	2.7
Hiab s.r.o.	100.0	1.0	1.0
Hiab SA/NV	100.0	749.4	700.4
Hiab spol. s.r.o.	100.0	0.8	0.0
Kalmar Belgium NV	100.0	11.2	10.8
Kalmar Danmark A/S	100.0	0.1	0.1
Kalmar Industries South Africa (Pty) Ltd	100.0	0.7	0.7
Kalmar UK Holding AB	100.0	59.6	59.6
Kiinteistö Oy Kalasatama	100.0	0.1	0.1
Oy Sisu Ab	100.0	0.0	0.0
Tagros d.o.o.	100.0	1.2	1.2
		1,508.2	**1,555.4**
Associated companies			
Dalian Nurmi Hydraulics Co. Ltd. 25.0%		1.4	-
		1.4	-
Other shares			
Dalian Nurmi Hydraulics Co. Ltd. 19.9%		-	0.6
Other shares		1.1	0.9
		1.1	**1.5**

12. Receivables from Group Companies

MEUR	Dec 31, 2008	Dec 31, 2007
Accounts receivable	14.5	3.7
Other receivables	974.0	743.7
Deferred assets	18.1	14.8
Total	**1,006.6**	**762.2**

13. Deferred Assets from External Parties

MEUR	Dec 31, 2008	Dec 31, 2007
Value added tax receivable	0.0	0.0
Advances paid, investments	0.4	0.3
Other deferred assets	6.7	4.8
Total	**7.1**	**5.1**

14. Equity

MEUR	2008	2007
Share capital on Jan 1	64.2	64.0
Share subscriptions with options	0.1	0.2
Share capital on Dec 31	**64.3**	**64.2**
Share premium account on Jan 1	97.4	96.0
Share subscriptions with options	0.6	1.3
Share premium account on Dec 31	**98.0**	**97.4**
Fair value reserves on Jan 1	12.6	-0.5
Cash flow hedges	16.9	17.7
Change in deferred taxes	-4.4	-4.6
Fair value reserves on Jan 31	**25.1**	**12.6**
Retained earnings on Jan 1	890.4	904.3
Treasury shares acquired	-23.6	-46.1
Dividends paid	-65.3	-63.2
Retained earnings on Dec 31	**801.4**	**794.9**
Net income	**158.5**	**95.4**
Total equity	**1,147.3**	**1,064.6**
Distributable equity	**960.0**	**890.4**

15. Long-term Debt

MEUR	Dec 31, 2008	Dec 31, 2007
Maturity after 5 years		
Corporate bonds	314.7	302.8
Loans from financial institutions	-	30.0
Loans from group companies	50.0	50.0
Other long-term debt		
Loans from financial institutions	118.8	91.7
Derivative liabilities	-	4.9
Deferred tax liabilities	8.8	5.4
Total	**492.4**	**484.8**

16. Liabilities to Group Companies

MEUR	Dec 31, 2008	Dec 31, 2007
Accounts payable	0.6	0.4
Other debt	1,202.1	966.3
Accruals	1.9	1.1
Total	**1,204.6**	**967.8**

17. Accruals to External Parties

MEUR	Dec 31, 2008	Dec 31, 2007
Accrued taxes	-	-
Accrued salaries, wages and employment costs	2.3	2.2
Accrued interests	16.3	16.0
Other accruals	4.8	1.7
Total	**23.5**	**19.9**

18. Commitments

Security for debt

MEUR	Dec 31, 2008	Dec 31, 2007
Guarantees given on behalf of group companies	599.3	358.8
Guarantees given on behalf of associated companies	0.2	1.6
Guarantees given on behalf of others	-	0.6
	599.5	**361.0**

Contingencies

MEUR	Dec 31, 2008	Dec 31, 2007
Rental liabilities given on behalf of others	3.7	3.4
Leasing liabilities		
Maturity within the next financial period	0.3	0.2
Maturity after next financial period	0.4	0.3
Total	**4.4**	**3.9**

19. Derivatives

Fair values of derivative instruments

	Positive fair value		Negative fair value		Net fair value	
MEUR	Dec 31, 2008	Dec 31, 2007	Dec 31, 2008	Dec 31, 2007	Dec 31, 2008	Dec 31, 2007
FX Forward Contracts	3.9	1.5	10.2	1.1	-6.3	0.4
Interest rate swaps, maturity within 1 year	1.1	-	0.9	-	0.2	-
Cross currency and interest rate swaps, maturity after 1 year	23.7	-	-	4.9	23.7	-4.9
Total	**28.8**	**1.5**	**11.1**	**5.9**	**17.7**	**-4.5**

Nominal values of derivative instruments

MEUR	Dec 31, 2008	Dec 31, 2007
FX Forward Contracts	399.1	241.6
Interest rate swaps, maturity within 1 year	79.7	0.0
Cross currency and interest rate swaps, maturity after 1 year	225.7	225.7
Total	**704.5**	**467.3**

Key Figures

Key Financial Figures

Consolidated Income Statement		2008	2007	2006	Jun 1–Dec 31, 2005	Pro forma 2005	Pro forma 2004
Sales	MEUR	3,399	3,018	2,597	1,419	2,358	1,900
Exports from and sales outside Finland	MEUR	3,280	2,919	2,528	1,374	2,288	1,835
Operating income	MEUR	174	203	240	124	195	124
% of sales	%	5.1	6.7	9.3	8.8	8.3	6.5
Operating income from operations	MEUR	193 4)	221 3)	223 2)	113 1)	180 1)	124
% of sales	%	5.7 4)	7.3 3)	8.6 2)	8.0 1)	7.6 1)	6.5
Income before taxes	MEUR	145	184	232	126	191	113
% of sales	%	4.3	6.1	8.9	8.8	8.1	6.0
Net income for the period	MEUR	121	138	166	87	137	78
% of sales	%	3.6	4.6	6.4	6.2	5.8	4.1

Other key figures		2008	2007	2006	Jun 1–Dec 31, 2005	Pro forma 2005	Pro forma 2004
Wages and salaries	MEUR	387	353	297	160	280	259
Depreciation, amortisation and impairment	MEUR	60	60	41	24	38	33
Capital expenditure in intangible assets and property, plant and equipment	MEUR	77	53	47	18	29	25
Capital expenditure in customer financing	MEUR	36	38	22	21	28	18
% of sales	%	3.3	3.0	2.6	2.8	2.4	2.2
Research and development costs	MEUR	47	46	31	18	30	29
% of sales	%	1.4	1.5	1.2	1.2	1.3	1.5
Equity	MEUR	864	897	877	767	767	654
Total assets	MEUR	3,039	2,583	1,988	1,781	1,781	1,639
Interest-bearing net debt	MEUR	478 7)	326 7)	107	121	121	281
Return on equity	%	13.7	15.6	20.2	20.8 5)	19.2	12.6
Return on capital employed	%	12.7	16.8	23.1	21.9 5)	20.9	12.9
Total equity/total assets	%	32.9	38.3	47.6	46.2	46.2	42.2
Gearing	%	55.3 7)	36.3 7)	12.3	15.7	15.7	43.0
Orders received	MEUR	3,769	4,106	2,910	1,366	2,385	2,337
Order book	MEUR	3,054	2,865	1,621	1,257	1,257	1,219
Average number of employees		11,777	10,276	8,026	7,446	7,388	7,201
Number of employees at the end of period		11,826	11,187	8,516	7,571	7,571	7,294
Dividends	MEUR	37 6)	65	63	41	41	-

1) Excluding gain on the sale of Consolis and impact of the final accounting of MacGREGOR acquisition after taxes
2) Excluding gain on the sale of property
3) Excluding a one-off cost related to a container spreader inspection and repair programme
4) Excluding restructuring costs
5) Annualised
6) Board's proposal
7) Including cross currency hedging of the USD 300 million Private Placement corporate bonds.

Share-related Key Figures

		2008		2007	2006	Jun 1–Dec 31, 2005		Pro forma 2005	Pro forma 2004
Earnings per share									
Basic earnings per share	EUR	1.91		2.17	2.57	1.35	8)	2.11	1.20
Diluted earnings per share	EUR	1.91		2.16	2.56	1.34	9)	2.10	1.20
Equity per share	EUR	13.95		14.29	13.72	11.93		11.93	10.17
Dividend per class B share	EUR	0.60	6)	1.05	1.00	0.65		-	-
Dividend per class A share	EUR	0.59	6)	1.04	0.99	0.64		-	-
Dividend per earnings, class B share	%	31.4	6)	48.4	38.9	48.2		-	-
Dividend per earnings, class A share	%	30.8	6)	47.9	38.5	47.5		-	-
Effective dividend yield, class B share	%	7.4	6)	3.3	2.4	2.2		-	-
Price per earnings, class B share	EUR	13.5		14.6	16.4	21.7		-	-
Development of share price, class B share									
Average share price	EUR	21.47		40.55	34.62	24.59		-	-
Highest share price	EUR	36.49		49.83	43.50	30.40		-	-
Lowest share price	EUR	7.63		29.78	28.84	21.84		-	-
Closing price at the end of period	EUR	8.09		31.65	42.10	29.29		-	-
Market capitalisation at the end of period 10)	MEUR	495		1,971	2,667	1,866		-	-
Market capitalisation of class B shares at the end of period 11)	MEUR	419		1,671	2,266	1,593		-	-
Trading volume, number of class B shares traded	('000)	85,697		70,945	52,909	43,423		-	-
Trading volume, number of class B shares traded	%	156.6		130.0	97.2	80.0		-	-
Weighted average number of class A shares 12)	('000)	9,526		9,526	9,526	9,526		9,526	9,526
Number of class A shares at the end of period 12)	('000)	9,526		9,526	9,526	9,526		9,526	9,526
Weighted average number of class B shares 11)	('000)	52,367		53,439	54,169	54,222		54,225	54,229
Number of class B shares at the end of period 11)	('000)	51,787		52,790	53,816	54,191		54,191	54,229
Diluted weighted average number of class B shares 11)	('000)	52,456		53,669	54,502	54,613		54,630	54,641

6) Board's proposal

8) Annualised earnings per share 2.31 EUR

9) Annualised earnings per share 2.30 EUR

10) Including class A and B shares, excluding treasury shares

11) Excluding treasury shares

12) No dilution on class A shares

Calculation of Key Figures

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

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

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

$$\text{Gearing (\%)} = 100 \times \frac{\text{Interest-bearing debt}^{1)} \text{ – interest-bearing assets}}{\text{Total equity}}$$

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

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

$$\text{Dividend/share} = \frac{\text{Dividend for financial period}}{\text{Share issue adjusted number of shares at the end of period (excluding treasury shares)}}$$

$$\text{Dividend/earnings (\%)} = 100 \times \frac{\text{Dividend for financial period/share}}{\text{Basic earnings/share}}$$

$$\text{Effective dividend yield (\%)} = 100 \times \frac{\text{Dividend/share}}{\text{Share issue adjusted closing price for the class B share at the end of period}}$$

$$\text{Price/earnings (P/E)} = \frac{\text{Share issue adjusted closing price for the class B share at the end of period}}{\text{Basic earnings/share}}$$

$$\text{Average share price} = \frac{\text{EUR amount traded during period for the class B share}}{\text{Share issue adjusted number of class B shares traded during period}}$$

Market capitalisation at the end of period = Number of class B shares outstanding at the end of period x closing price for the class B share at the end of period + Number of class A shares outstanding at the end of period x closing day average price for the class B share

Trading volume = Number of class B shares traded during period

$$\text{Trading volume (\%)} = 100 \times \frac{\text{Number of class B shares traded during period}}{\text{Average weighted number of class B shares during period}}$$

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

Shares and Shareholders

Shares and Share Capital

Cargotec's shares are registered in the book-entry securities system maintained by the Euroclear Finland (formerly Finnish Central Securities Depository). On December 31, 2008, Cargotec's share capital, fully paid and entered in the trade register, totalled EUR 64,304,280 and there were 54,778,191 class B shares listed on the NASDAQ OMX Helsinki and 9,526,089 unlisted class A shares.

In 2008, the number of shares registered in the trade register increased by 83,907 as a result of the subscription for shares under 2005A and 2005B option rights.

At the Annual General Meeting, each class A share is assigned one vote, as is each block of ten class B shares, with the provision that each shareholder is entitled to at least one vote. The total number of votes attached to all shares was 15,002,201 at the end of the year 2008.

As of the AGM of 2008 up to the year end, Cargotec repurchased 1,086,000 own shares. On December 31, 2008, the Company held a total of 2,990,725 class B shares, accounting for 4.65 percent of the share capital and 1.99 percent of the total voting rights of all shares. The number of issued class B shares, excluding treasury shares held by the Company, totalled 51,787,466 on December 31, 2008.

Market Capitalisation and Trading

Cargotec's class B share closed at EUR 8.09 on December 31, 2008. The highest quotation for the financial period was EUR 36.49 and the lowest was EUR 7.63. Moreover, the average share price for the financial period was EUR 21.47. Share price decreased by 74 percent during the year. Over the same period, the OMX Helsinki Benchmark Cap index fell by 50 percent.

On December 31, 2008, the total market value of Cargotec's class B shares was EUR 419 million, excluding treasury shares held by the Company. The Company's year-end market capitalisation, in which the unlisted class A shares are valued at the average closing price of class B shares on the last trading day of the financial period, was EUR 495 million, excluding treasury shares held by the Company.

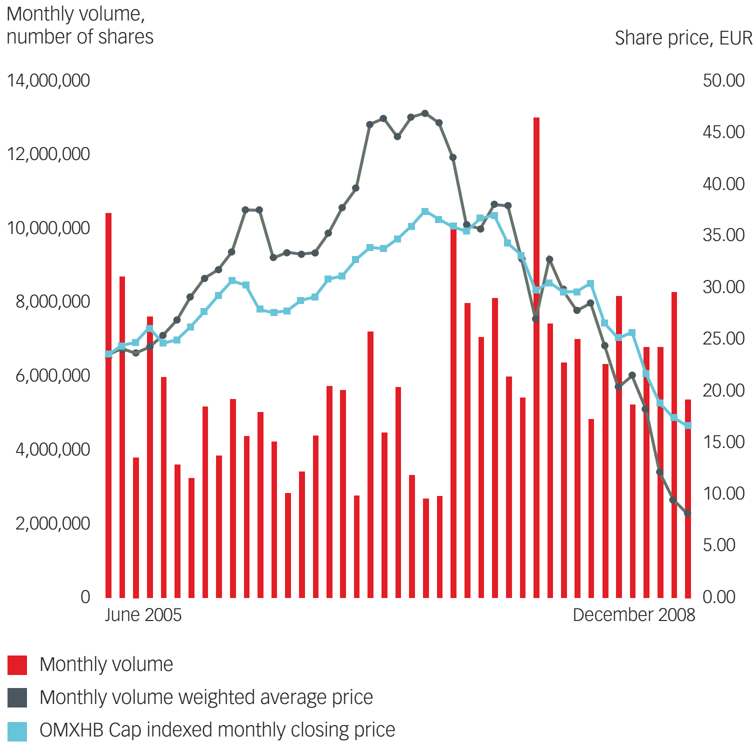
During the financial period, approximately 86 million Cargotec class B shares were traded on the NASDAQ OMX Helsinki, corresponding to a turnover of approximately EUR 1,868 million. The average daily trading volume of B shares was 338,722 shares or EUR 7,381,727.

Information on the Cargotec share price is available on the Company's website at www.cargotec.com/investors.

Board Authorisations and Purchase of Own Shares

Cargotec's Annual General Meeting of February 29, 2008 authorised the Board of Directors to decide to repurchase the Company's own shares with assets distributable as profit. Own shares can be repurchased in order to develop the capital structure of the Company, finance or carry out possible acquisitions, implement the Company's share-based incentive plans, or to be transferred for other purposes or to be cancelled. Altogether, no more than 6,400,000 own shares may be repurchased, of which no more than 952,000 are class A shares and 5,448,000 are class B shares. The above-mentioned amounts include the 1,904,725 class B shares which were already in the Company's possession in February 2008.
Based on the above-mentioned authorisation, Cargotec repurchased 1,086,000 class B shares at the market price in

Share Price and Volume



public trading on the NASDAQ OMX Helsinki during the period March 25–August 23, 2008 at an average purchase price of EUR 21.73 per share. During the period, the total accounting par value of the repurchased shares was EUR 1,086,000, their share of the share capital was 1.69 percent, and their share of the total voting rights was 0.72 percent. The repurchased shares were in the Company's possession on December 31, 2008. With regard to the authorisation, an amount corresponding to 952,000 class A shares and 4,362,000 class B shares remained unused on December 31, 2008. Repurchasing of shares had no significant impact on the division of ownership and voting rights in the Company.

In addition, the Annual General Meeting authorised the Board of Directors to decide to distribute any shares repurchased. The Board of Directors was authorised to decide to whom and in which order the repurchased shares would be distributed. The repurchased shares may be used in acquisitions and in other arrangements as well as to implement the Company's share-based incentive plans in the manner and to the extent decided by the Board of Directors. The Board of Directors also has the right to decide on the distribution of the shares in public trading at the NASDAQ OMX Helsinki, to be used as compensation in possible acquisitions. This authorisation is limited to a maximum of 952,000 class A shares and 5,448,000 class B shares repurchased by the Company. The Board of Directors was authorised to decide to whom and in what order the repurchased shares would be distributed. The authorisation remained unused on December 31, 2008.

At the end of the financial year, Cargotec's Board of Directors had no current authorisation to grant option rights or other special rights entitling to shares, or raise the share capital. Neither has the Company decided to issue shares, option rights, or convertible bonds during the financial period.

Option Programme and Option Rights

Cargotec's option programme is based on the demerged Kone Corporation's 2004 option programme, under which each series A option right of Kone Corporation was converted into one 2005A option right of Cargotec and each series B option right of Kone Corporation was converted into one 2005B option right of Cargotec.

At the beginning of the financial period, the number of 2005A option rights was 12,725. Trading with 2005A option rights ended on March 20, 2008. The highest quote for a 2005A option right was EUR 79.56, the lowest was EUR 52.59 and the closing price was EUR 57.66.

Cargotec's 2005B option rights are listed on the NASDAQ OMX Helsinki. At the beginning of the financial period, the number of 2005B option rights was 50,154 and at the end of the period 34,910. In 2008 the highest quote for a 2005B option right was EUR 68.00, the lowest was EUR 0.86 and the closing price at the year-end was EUR 0.86. The remaining 2005B option rights may be used to subscribe for a further 104,730 class B shares, thereby increasing the share capital by EUR 104,730. For a more detailed description of the option programme, see Note 24 of the Financial Statements.

Breakdown by Shareholder Category on December 31, 2008 without Treasury Shares

(Based on ownership records of the Euroclear Finland)

% of shares outstanding

- Nominee registered 21.69%
- Finnish institutions, companies and foundations 22.74%
- Ilkka Herlin* 12.22%
- Niklas Herlin* 11.79%
- Ilona Herlin* 11.07%
- Finnish households 15.00%
- Non-Finnish shareholders 5.49%

* Ownership information of Ilkka, Niklas and Ilona Herlin includes shares owned directly as well as through companies where they exercise controlling power.

Shareholders

At the end of 2008, Cargotec had over 15,000 shareholders, the largest shareholder being Wipunen varainhallinta oy. Ilkka Herlin is the largest owner when including shares owned directly as well as through companies where controlling power is exercised. There were 13,300,372 nominee-registered shares, representing 21.69 percent of the total number of shares, excluding treasury shares held by the Company, which corresponded to approximately 8.87 percent of all votes. A monthly updated list of Cargotec's major shareholders is available on the Company's website at www.cargotec.com/investors.

Shares and Options held by the Board of Directors and Management

On December 31, 2008, the aggregate shareholding of Cargotec's Board of Directors, the President and CEO, the Deputy to CEO and companies controlled by them was 2,940,067 class A shares and 5,047,694 class B shares, which corresponded to 12.42 percent of the total number of all class A and class B shares and 22.96 percent of all votes. At the end of 2008, the number of 2005B option rights owned by the Board of Directors, the President and CEO and the Deputy to CEO was 1,000. Assuming that all option rights had been exercised for the subscription of shares at the beginning of the financial period, the Board of Directors, the President and CEO, and the Deputy to CEO would have held 22.96 percent of the votes on December 31, 2008.

Up-to-date information on the shares and option rights held by members of the Board of Directors and management is available on Cargotec's website at www.cargotec.com/investors.

Cargotec's share capital is divided into class A and class B shares, the latter as well as the 2005B option rights being quoted on the NASDAQ OMX Helsinki.

Tickers

Class B share	2005B option right
ISIN code: FI0009013429	ISIN code: FI0009618367
Ticker: CGCBV	Ticker: CGCBVEW205
Index: OMX Helsinki CAP	Number of listed option rights: 34,910*
Sector: Industrials	Conversion rate: 1:3
Reuters ric: CGC.HE	Subscription price: EUR 8.59 per share
Bloomberg: CGCBV FH	Share subscription period ends: March 31, 2009

* December 31, 2008

Breakdown of Share Ownership on December 31, 2008

Number of shares	Number of shareholders	% of shareholders	Total shares	% of share capital excl. treasury shares
1–100	5,964	37.53	363,311	0.59
101–500	6,368	40.07	1,695,558	2.77
501–1,000	1,739	10.94	1,354,633	2.21
1,001–10,000	1,619	10.19	4,528,760	7.39
10,001–100,000	162	1.02	5,030,997	8.21
100,001–1,000,000	30	0.19	7,409,496	12.09
over 1,000,000	9	0.06	40,925,364	66.75
Total	**15,891**	**100.00**	**61,308,119**	**99.99**
of which nominee registered	16		13,300,372	21.69
In the joint book-entry account			5,436	0.01
Number of shares outstanding			**61,313,555**	**100.00**
Treasury shares on December 31, 2008	1		2,990,725	
Total number of shares on December 31, 2008			**64,304,280**	

Based on ownership records of the Euroclear Finland.

Major Shareholders on December 31, 2008

	Shareholder	Class A shares	Class B shares	Shares total	Shares, %	Votes	Votes, %
1	Wipunen varainhallinta oy (in Ilkka Herlin's controlling power)	2,940,067	4,550,000	7,490,067	11.65	3,395,067	22.63
2	Mariatorp Oy (in Niklas Herlin's controlling power)	2,940,067	4,290,000	7,230,067	11.24	3,369,067	22.46
3	D-sijoitus Oy (in Ilona Herlin's controlling power)	2,940,067	3,850,000	6,790,067	10.56	3,325,067	22.16
4	Toshiba Elevator And Building Systems Corporation		3,023,340	3,023,340	4.70	302,334	2.02
5	Cargotec Corporation		2,990,725	2,990,725	4.65	299,072	1.99
6	Kone Foundation	705,888	1,232,454	1,938,342	3.01	829,133	5.53
7	Varma Mutual Pension Insurance Company		1,314,378	1,314,378	2.04	131,437	0.88
8	Ilmarinen Mutual Pension Insurance Company		787,900	787,900	1.23	78,790	0.53
9	The State Pension Fund		750,000	750,000	1.17	75,000	0.50
10	Sundholm Göran		450,001	450,001	0.70	45,000	0.30
11	Tapiola Mutual Pension Insurance Company		440,000	440,000	0.68	44,000	0.29
12	Herlin Heikki		400,000	400,000	0.62	40,000	0.27
13	Nurminen Hanna		390,001	390,001	0.61	39,000	0.26
14	Mandatum Life Insurance Company		319,729	319,729	0.50	31,972	0.21
15	ABN Amro Finland Investment Fund		269,362	269,362	0.42	26,936	0.18
16	Etera Mutual Pension Insurance Company		260,000	260,000	0.40	26,000	0.17
17	Fondita Nordic Small Cap Fund		245,000	245,000	0.38	24,500	0.16
18	Investment Fund Aktia Capital		239,000	239,000	0.37	23,900	0.16
19	Sampo Suomi Osake Investment Fund		238,239	238,239	0.37	23,823	0.16
20	Moving Cargo Oy		226,694	22,694	0.35	22,669	0.15
	Total	**9,526,089**	**26,266,823**	**35,792,912**	**55.65**	**12,152,767**	**81.01**
	Nominee registered			13,300,372			
	Other owners			15,210,996			
	Total number of shares issued on December 31, 2008			**64,304,280**			

Based on ownership records of the Euroclear Finland.

Repurchases of shares in Cargotec's possession:

Year	Number of Class B shares
2005	203,700
2006	501,025
2007	1,200,000
2008	1,086,000
Total number of treasury shares on December 31, 2008	**2,990,725**

Signatures for Board of Directors' Report and Financial Statements

Helsinki, February 2, 2009

Ilkka Herlin
Chairman of the Board

Henrik Ehrnrooth
Deputy Chairman

Tapio Hakakari
Member of the Board

Peter Immonen
Member of the Board

Karri Kaitue
Member of the Board

Antti Lagerroos
Member of the Board

Mikael Mäkinen
President and CEO

Auditor's Report

To the Annual General Meeting of Cargotec Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Cargotec Corporation for the year ended on 31 December, 2008. The financial statements comprise the consolidated balance sheet, income statement, cash flow statement, statement of changes in equity and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the financial statements and the report of the Board of Directors and for the fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the fair presentation of the parent company's financial statements and the report of the Board of Directors in accordance with laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the parent company's financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. Good auditing practice requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements and the report of the Board of Directors are free from material misstatement and whether the members of the Board of Directors of the parent company and the Managing Director have complied with the Limited Liability Companies Act.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

The audit was performed in accordance with good auditing practice in Finland. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the Company's Financial Statements and the Report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki, February 2, 2009

PricewaterhouseCoopers Oy
Authorised Public Accountants

Jouko Malinen	Johan Kronberg
Authorised Public Accountant	Authorised Public Accountant

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