Annual report 2010

CARGOTEC

Contents

In 2010, the most extensive change initiatives geared towards reinventing the organisation were completed, and Cargotec was able to flex its muscles as the global economy began to revive.

CEO's message

- President and CEO **Mikael Mäkinen** shares his views of 2010 and of Cargotec’s future.
- Cargotec's strategy was refined in 2010.
- Cargotec responds to industry consolidation with a global presence and comprehensive customer solutions.

Financial result in brief

- Cargotec's sales in 2010 amounted to EUR 2,575 million.
- Operating profit rose to EUR 131,4 million.

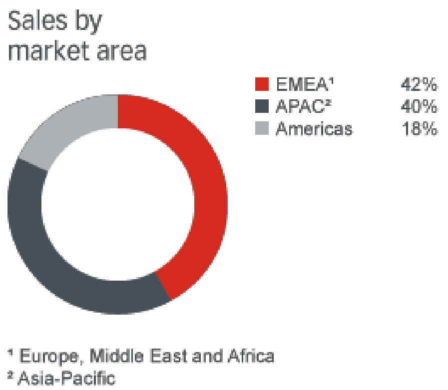
A stronger Cargotec – Highlights of 2010

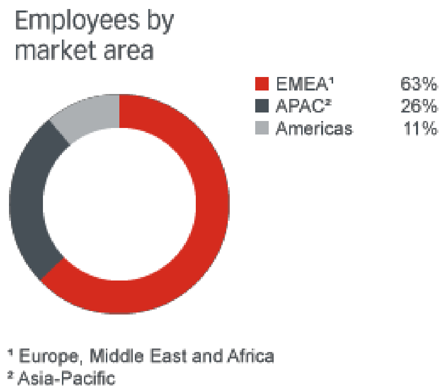
In 2010, the global economic situation continued to have a major effect on the volume of cargo flows, although volumes began to pick up during the year. However, depending on the customer segment and region, there was considerable variation in the degree of market recovery.

Key figures

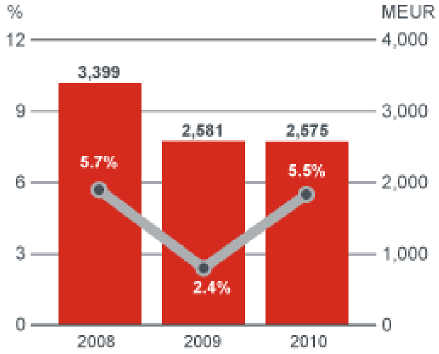
		2010	2009	2008	2007	2006
Orders received	MEUR	2,729	1,828	3,769	4,106	2,910
Order book	MEUR	2,356	2,149	3,054	2,865	1,621
Sales	MEUR	2,575	2,581	3,399	3,018	2,597
Operating profit	MEUR	131.4	0.3	173.7	203.1	240.4
Operating profit from operations*	MEUR	141.9	61.3	192.8	221.1	222.6
Net income for the period	MEUR	78.0	7.1	120.8	138.4	166.1
Return on equity	%	8.0	0.8	13.7	15.6	20.2
Return on capital employed	%	8.6	0.2	12.7	16.8	23.1
Gearing	%	16.0	38.0	55.3	36.3	12.3

*Excludes non-recurring items



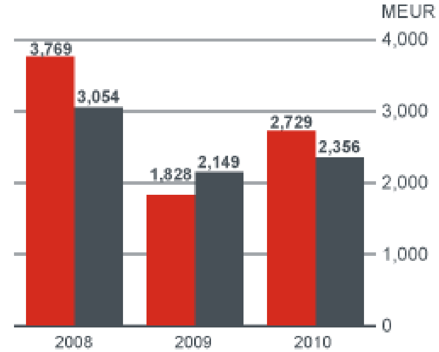


Sales and operating profit from operations (%)*

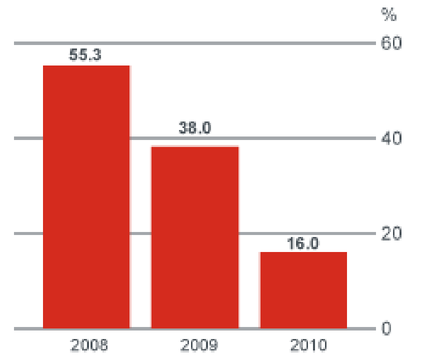


* Excludes non-recurring items

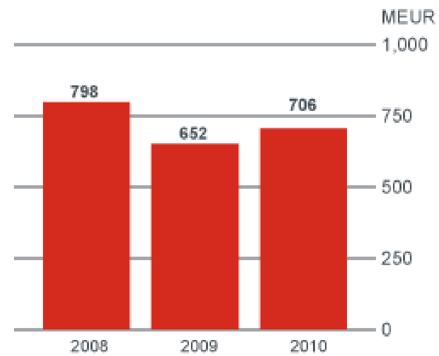
Orders received
Order book



Gearing



Services sales



Despite the unstable market conditions, Cargotec was able to grow its operating profit and show its strength in several markets. The Marine business in particular showed very positive development, both in operating profit and sales. The Asian markets now represent a proportion of sales equal to that of Europe, Middle East and Africa (EMEA). Cargotec signed several new contracts covering equipment maintenance, modernisation and repair.

For the benefit of its customers, Cargotec continued to invest in technology development. Development work was focused on more productive, safer and environmentally sound solutions.

The capacity adjustment measures launched in 2008 and other restructuring measures were completed in early 2010. After this, the focus shifted to the impending market recovery and growth. This involved measures to strengthen personnel skills and competences as well as Cargotec's regional organisations.

Service network expanded

Cargotec continued to upgrade its service network by cross-training Hiab and Kalmar product specialists. The service network expanded as personnel learnt to service both product ranges. A new parts distribution centre was set up in Sweden to serve Scandinavian customers, while plans for worldwide spare parts logistics were relaunched.

New units in Poland and Singapore

Cargotec celebrated the opening of a new multi-assembly unit in Stargard Szczeciński in Poland. Part of Cargotec's global supply network, the new unit is located close to customers and the growing European markets. This unit handles the assembly of several different Cargotec cargo and load handling solutions.

Cargotec also set up a new business location in Singapore, housing the company's local operations.

Cargotec's supply units are located in China, Estonia, Finland, India, Ireland, Malaysia, Norway, Poland, Singapore, South Korea, Spain, Sweden, the United Kingdom and the United States. Part of manufacturing has been outsourced to partner plants, which are mainly located in Asia.

Competence and technology centre in Tampere moving ahead

Cargotec pursued its plans to convert the Tampere unit into a competence and technology centre, in order to improve the worldwide competitiveness of the company's products. New, state-of-the-art facilities are scheduled to be up and running in 2013, in the vicinity of Tampere University of Technology in the Hervanta district.

Measures to develop corporate governance continued

Cargotec took measures to develop its corporate governance and strengthened the role of the service business, by rearranging the company's business into three business areas: Industrial & Terminal, Marine and Services. One shared Cargotec Services organisation facilitates service development, both in the Industrial & Terminal and in the Marine businesses. Cargotec's financial reporting is based on two reporting segments, Industrial & Terminal and Marine.

New visual look

Cargotec launched a new visual look for the company in 2009. Harmonisation of the visual look was carried out step by step, picking up pace in 2010 with the renewal of service cars, workwear, signs and marketing materials. This work will continue in 2011.

Strategy fuels growth

Cargotec refined its strategy, announcing that it would target measures and resources at carefully selected focus areas, in order to strengthen its market leadership over the next few years. Cargotec aims to grow faster than the industry on average.

A world in transition

Dear reader,

For Cargotec, 2010 was a year of new beginnings. Measures aimed at building a strong and unified organisation were finalised. Although the process was long and painful at times, it allowed us to build a strong foundation for Cargotec. As market conditions began to perk up, the new and improved Cargotec proved its ability to perform: our operating profit turned strongly positive, at EUR 131.4 (0.3) million. During the year, we also refined Cargotec's strategy. The key priority now is to pay more attention to customer needs.

Several factors contributed to our strong performance. While the global economy was still struggling in 2009, we focused on driving our organisational overhaul forward and on adapting to shared processes across Cargotec. The completion of the "On the Move" internal change programme was highly conducive to creating a unified corporate culture. Operational development continues as a natural part of our daily work.

Another key performance driver was the upswing in the global economy, signs of which could be seen at the beginning of 2010. Our Marine business that supplies solutions to shipowners, ship operators and shipyards, performed particularly well throughout the year. A significant proportion of sales were generated in the Asian markets. Similarly, the demand curve for Cargotec's load handling equipment used in inland logistics was positive. Meanwhile, the markets for port and terminal cargo handling solutions continued to show a degree of uncertainty.

Video: CEO's message

Comprehensive customer service is a competitive asset

For Cargotec, the highlight of the year in 2010 was the implementation of an extensive strategy process. This process, carried out over the spring and summer, involved an assessment by our own experts and external consultants of the future of Cargotec's business environment and the trends affecting it. The result, a refined strategy for Cargotec, was published in the autumn. Although the strategy underlines the importance of emerging markets, services and internal clarity, the core of our strategy is the customer.

We at Cargotec make constant efforts to better understand our customers through their business needs. Instead of individual products, customers increasingly expect complete solutions that include customised equipment, as well as a service concept covering their entire life cycle. This trend is reinforced by powerful consolidation, which creates bigger global players in the markets, with needs to match their size. Cargotec has a service and distribution network with unmatched coverage, which allows us to serve our customers wherever we are needed.

Our global presence also enables us to be more perceptive of needs emerging from the customer interface. In this respect, our personnel working in all corners of the globe play a leading role in deploying our strategy. Within Cargotec, we can develop unique solutions by sharing experiences and knowledge of the customer needs recognised in different market areas.

Competition is increasingly fierce in cargo and load handling equipment manufacture. Although Cargotec is renowned for its first-class products, the feature that truly sets us apart is the most extensive service offering in the industry, combined with the ability to create comprehensive solutions. I believe that these competitive assets will gain more importance in the future. We have therefore made a commitment to continuously improve them.

The whole world is our market area

Our customer-driven strategy includes a stronger focus on customer segments. More careful targeting allows us to identify our strongest areas, thereby promoting our market leadership in carefully selected business segments.

A considerable part of Cargotec's clientele operates in growing markets. The world is changing, as evidenced by the fact that intra-Asian traffic, not intercontinental freight traffic, now accounts for the biggest container volumes. As the middle class becomes more affluent, buyers of products manufactured in the emerging markets can also be found nearby.

Cargotec's major investments and new recruitment are focused on the emerging markets. Success requires a strong local presence. With the geographical shift in economic power, business can no longer be commanded from the other side of the world. In 2011, two of our Executive Board members will be located in China: the Executive Vice President for Asia-Pacific is responsible for operations in the region while the Deputy to CEO is promoting development projects in the Asia-Pacific. We are pursuing steady growth in the BRIC countries of Brazil, Russia, India and China, and also in Africa, where we are seeking growth through our South African business location.

Although the emerging markets are the driving force of global economic growth, mature markets will nonetheless retain their important position. In September, we launched operations at a new assembly unit in Poland – Cargotec's most energy efficient unit. This unit is located close to our customers in Europe, which is an important market for us.

Full confidence in the future

The world is in constant transition and there can be no return to the pre-recession era. We must face forward, into the future. Instead of preparing a tight five-year plan for Cargotec, we will follow our strategy and attempt to flexibly adapt to changing circumstances.

The new Cargotec organisation is better equipped to react and take action. The future may be impossible to predict, but for us it is looking bright. Despite global political and economic developments, goods will always be transported - even more so due to globalisation. Our response to industry consolidation is to serve large and small customers in compliance with the same quality requirements.

Creating new innovations is the Cargotec way. In 2010, a significant part of our research and development work continued to focus on ecological and energy efficient technologies. Providing sustainable solutions is for us the most efficient way to support sustainable development in accordance with the UN Global Compact principles.

I would like to thank our personnel for our good performance in 2010. In difficult times, we were able to excel and create a foundation for a strong Cargotec. The year 2010 proved what we can achieve as one company.

I would also like to thank all of our customer and business partners for their support, which encourages us to become a better provider of cargo handling solutions.

Mikael Mäkinen
President and CEO

Information for shareholders

Annual General Meeting

Cargotec Corporation's Annual General Meeting 2011 will be held at the Marina Congress Center, at Katajanokanlaituri 6, Helsinki, Finland on Tuesday, 8 March 2011 at 1:00 p.m. Finnish time. The meeting will be held in Finnish.

Attending the Annual General Meeting

Shareholders wishing to attend the meeting must be registered in the Cargotec shareholder register maintained by Euroclear Finland Ltd on the record date of the meeting, 24 February 2011. Shareholders whose shares are registered in their personal book-entry account are automatically registered in the shareholder register. Holders of nominee-registered shares, who would like to participate in the Annual General Meeting, must be entered into the temporary shareholders' register no later than Thursday 3 March 2011, by 10:00 a.m. Finnish time. Holders of nominee-registered shares are advised to request the necessary instructions regarding registration in the shareholders' register of the company and the issuing of proxy documents from their custodian bank. A registration in the temporary shareholders' register is regarded as a notice of attendance to the Annual General Meeting.

Notification of participation in the Annual General Meeting

Shareholders who wish to attend the meeting must notify Cargotec no later than 4:00 p.m. on 3 March 2011 either:

- on the internet at www.cargotec.com
- by mail: Cargotec Corporation, AGM, P.O. Box 61, FI-00501 Helsinki, Finland
- by telephone: +358 204 55 4284, Monday-Friday between 10 a.m. and 4 p.m. or
- by fax: +358 204 55 4275

Proxies

Any proxies must be submitted upon registration for the meeting.

Dividend payment

The Board of Directors will propose to the Annual General Meeting convening on 8 March 2011 that, of the distributable profit, a dividend of EUR 0.60 per class A share and EUR 0.61 per outstanding class B share be paid. The dividend will be paid to shareholders who on the record date for dividend distribution, 11 March 2011, are registered as shareholders in the company's share register. The date proposed by the Board of Directors for the dividend payment date is 18 March 2011.

Changes of addresses

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

Financial reports in 2011

Cargotec Corporation will disclose the following financial information in 2011:

- 3 February 2011, Financial statements review January-December 2010
- Week 6, Financial statements 2010 and Annual report 2010 at www.cargotec.com
- 28 April 2011, Interim report January-March 2011
- 21 July 2011, Interim report January-June 2011
- 27 October 2011, Interim report January-September 2011

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 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(at)cargotec.com, by telephone from +358 204 55 4284 or by fax from +358 204 55 4275.

Investment research

Information on analysts providing coverage on Cargotec is available on the company's website at www.cargotec.com/investors. Cargotec accepts no liability for the views or comments expressed by the banks, stockbrokers or analysts, or for projections made on the value of Cargotec Corporation's share, its performance or the financial performance of the company expressed in any analyses.

Share information for class B share

Listing: NASDAQ OMX Helsinki Ltd.
Date of listing: 1 June 2005
Trading currency: Euro
Index: OMX Helsinki CAP
Sector: Industrials
Trading ticker: CGCBV
ISIN code: FI0009013429
Trading lot: 1 share
Reuters ticker: CGC.HE
Bloomberg ticker: CGCBV FH

Investor relations

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

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On land and at sea

Cargotec has a unique mission in boosting the efficiency of global material flows.

Cargo traffic is one of the vital services that help keep our increasingly global society up and running. Millions of items, from raw materials to consumer products, are transported locally and between countries.

To ensure the smooth flow of goods, innovative cargo handling solutions are required. This is where Cargotec’s core competence steps in. Cargotec’s global presence allows it to serve customers both in mature markets and in growing economic areas.

Cargotec improves the efficiency of cargo flows on land and at sea – wherever cargo is on the move. Cargotec’s solutions are used worldwide in all cargo flow hubs. Cargotec's daughter brands, Hiab, Kalmar and MacGregor are recognised all over the world as leading brands in cargo and load handling solutions.

In this section, you can learn more about key events for Cargotec in 2010, and the various areas of cargo traffic. You can also familiarise yourself with the company’s latest research and development innovations.

Cargotec in brief

With its three daughter brands, Cargotec delivers cargo and load handling solutions and services for both the biggest shipping companies in the world as well as small-scale local operators:

- **Hiab** on-road load handling products and solutions are utilised in moving goods and materials, for example by road and within construction sites, forests, industry, waste handling, recycling and the defence forces. An extensive selection includes loader cranes, forestry and recycling cranes, demountables, tail lifts and truck-mounted forklifts.
- **Kalmar** cargo and load handling solutions are used in ports, terminals, distribution centres and within heavy industry. Port and terminal solutions include ship-to-shore cranes, yard cranes, shuttle and straddle carriers, reachstackers, equipment for empty container handling, and terminal tractors. Kalmar solutions also include forklift trucks and log stackers for heavy industry and the wood and paper industry, as well as terminal tractors for distribution and logistics centres.
- **MacGregor** solutions are used in marine transport and in the offshore logistics, where the safety and reliability of cranes, hatch covers, RoRo and cargo securing equipment, bulk handling equipment and offshore vessels is of the utmost importance. Cargotec's competence is also utilised in naval logistics. Solutions supplied by Cargotec to ports and terminals include MacGregor passenger gangways and Siwertell bulk handling equipment.

Extensive repair and maintenance services

- Cargotec is committed to ensuring the uninterrupted operation of its customers' equipment over its entire life cycle.
- Cargotec operates more than 600 sales and service points worldwide. One fourth of the company's personnel work in maintenance and service.
- A globally operating, uniform service organisation complements Cargotec's technical solutions. The services available include repair and maintenance, inspections, user support, spare part delivery, services covered by maintenance agreements, and other customer-tailored services.
- Through its service organisation, Cargotec also modifies and modernises solutions, while providing extensive training.

Research and development

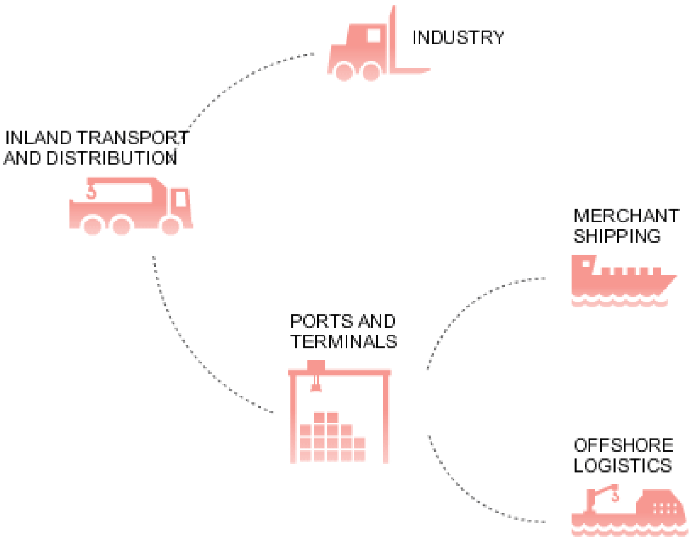
- An integral part of Cargotec's operations involves continuously upgrading products and solutions to make them more efficient, safer and more ecological.
- In addition to product development, Cargotec invests in research on technologies and cooperates with research communities and other companies.
- Cargotec explores alternative fuel solutions and automated systems, always aiming to reduce the total life cycle costs of products, while reducing the emissions generated by equipment use.

Business review 2010

During 2010, many industries where Cargotec's customers operate revived after the economic downturn. This had a positive effect on the demand for Cargotec's solutions.

For example in Asia, Cargotec secured major orders for cargo handling solutions used in ports, merchant shipping and offshore logistics. Cargotec received significant orders also from other industries in different parts of the world.

This review discusses Cargotec’s business in different parts of cargo flow in 2010. The first stop is in industries, and the journey continues to distribution and further to ports and sea. Go to review by clicking on the icons on the picture below or use the left sidebar to navigate.



Industry

Market

Cargotec's customers represent various industrial sectors including heavy industry, waste handling and recycling, sawmills, pulp and paper, and forestry.

- World crude steel production at the end of 2010 was on a higher level than at the end of 2008 when the global economic crisis started to affect production.
- The price of scrap metal rose gradually during 2010, which led to increased recycling.
- Following the recovery within the sawmill segment and a gradually growing demand in the pulp and paper industry, the forestry business saw an upturn in 2010. Volumes in forest harvesting and transports grew.

Demand for Cargotec solutions increased in various industrial sectors.

Demand for Cargotec's solutions

For industrial applications, Cargotec offers Hiab loader cranes, Hiab Multilift demountables, Hiab Loglift and Hiab Jonsered forestry and recycling cranes, Hiab Moffett and Princeton PiggyBack® truck-mounted forklifts, Kalmar forklifts and logstackers, and services.

The increase in steel trade had a positive impact on Cargotec's forklift business in 2010. The majority of the increase came from Europe, which was the main market for forklift trucks. Forklift truck sales for the forest industry increased well when compared to 2009.

In 2010, Cargotec received the first orders of electric light forklifts for industrial use from the United States. These forklifts run on electricity and do not create emissions.

Cargotec also started to see more demand for truck-mounted forklifts across many applications. A new market for these products in 2010 was paper recycling in the United States with a small volume.

Increase in the price of scrap metal positively affected the demand of heavy duty recycling cranes in the main recycling markets in Europe and Asia. As recycling grows, efficiency in transport and logistics will become increasingly important.

High activity in the mining sector, especially in Australia and South America, increased the demand for related loader cranes. Sales of special loader crane applications for building oil and gas pipe lines improved as well in 2010.

Growing volumes in forest harvesting and transports, combined with accumulated needs of renewal investments, resulted in increased sales of Cargotec's forestry cranes. The demand for logstackers returned to normal levels in 2010 after a year of high demand in 2008 and very low demand in 2009.

Development in offering

A special emphasis at Cargotec was put on developing solutions for waste and recycling logistics. Cargotec also undertook the representation of waste compactors for refuse collection vehicles and started the resale of waste bin washers and related services. A new loader crane model specially designed for underground waste collection was introduced. A new forestry crane model for chipper applications was also launched during the year.

Inland transport and distribution

Market

Cargotec's load handling solutions are used in various sectors in inland transport and delivery, including construction, distribution, warehousing and defence.

- Construction activity started to increase in Europe, Middle-East and Africa (EMEA).
- The building sector remained weak in the Americas region.
- The Asia-Pacific (APAC) region continued strong and the recovery was aided by government stimulants to power the economy out of recession. The rise in consumerism and trade resulted in economic growth.
- The pressure to reduce emissions at ports and in urban areas is strongest in the United States.
- The new Machinery Directive (2006/42/EC) established requirements for cranes and demountables in the European market.

Demand for Cargotec's solutions


The demand for Cargotec's terminal tractors w as good.

For inland distribution, Cargotec offers Hiab loader cranes, Hiab Multilift demountables, Hiab Moffett and Princeton PiggyBack® truck-mounted forklifts, Zepro, Focolift, Del and Waltco tail lifts, and Kalmar terminal tractors and light forklifts.

As construction activity started to increase in EMEA, there was a clear positive turnaround in the market demand of truck cranes and demountables, which started already at the end of 2009. However, the global recovery of the load handling markets was uneven, varying geographically and by customer segment. Australia was one of the growing markets for truck cranes in the APAC region.

Cargotec received a large order for truck-mounted forklifts from a company specialising in home improvements in the United States as well as other orders from customers in Europe.

The demand for terminal tractors was good. During the year, Cargotec received contracts for 200 terminal tractors from the United States for an intermodal operation. Also, dealers in the United States started to buy terminal tractor stock units, which is a clear sign of improving activity. Cargotec received a significant order for rough terrain container handlers from Tank-Automotive Armament Command, part of the US Department of Defense.

Development in offering

Cargotec delivered breakthrough liquefied natural gas-powered terminal tractors to a customer in California and introduced the industry's first hydraulic hybrid drive terminal tractor. These innovations will help customers meet the ever stricter regulations in this part of the world and combat expensive exhaust after-treatment solutions.

Research and development in loader cranes was focused on meeting the new Machinery Directive requirements. Besides fulfilling the compulsory requirements, Cargotec also launched the new Variable Stability Limit (VSL) system increasing the safety and efficiency of crane operations. VSL is an electronic system that automatically monitors vehicle stability.

Cargotec presented the first model in a new series of loader cranes with a new load sensing control system for small to mid-range cranes to improve working and fuel consumption efficiency. Cargotec also continued to develop its stiff boom cranes for emerging markets, mainly in the APAC region. In demountables, a new generation of the hooklift range was completed. Cargotec also launched a new truck-mounted forklift with a telescopic boom for easier loading and unloading.

Ports and terminals

Market

Cargotec's customers include container and bulk terminals worldwide.

- Container volumes started rising in 2010 and customer capacity utilisation rates increased.
- Container traffic grew approximately 13% globally.
- Building of coal and iron ore terminals increased in the BRIC countries (Brazil, Russia, India and China).

Demand for Cargotec's solutions

For container and bulk terminals, Cargotec offers Kalmar ship-to-shore cranes, yard cranes, shuttle and straddle carriers, terminal tractors, reachstackers, empty container handlers, Siwertell ship unloaders, road-mobile unloaders, ship loaders, terminal conveying and reclaiming systems, and services.

Evyap Logistics in Istanbul, Turkey, operates Cargotec's latest generation all-electric Kalmar E-One2 RTG cranes equipped w ith an energy saving pow er unit.

The recovery in demand for container handling equipment in ports remained sluggish globally, despite the increasing number of containers handled. The number of inquiries increased especially during the second half of the year. Activity in port operations in the Asia-Pacific (APAC) region generated business growth for Cargotec especially in China, India, Indonesia and Vietnam.

As the customer capacity utilisation rates increased, the service markets saw a clear improvement, and there was a steady growth in the demand for Cargotec's services throughout the year. Sales of pre-owned equipment and short-term rentals reached record levels during 2010, as many customers were looking for more cost-effective and shorter term solutions.

During the year Cargotec received orders for large port cranes from Turkey, Vietnam, Russia, Mexico and Poland, and started the refurbishment of ten ship-to-shore cranes in Malaysia. The demand for reachstackers improved well in many areas around the world, especially in the APAC, Europe, Middle Easte and Afica (EMEA) and South American regions. In March 2010, Cargotec delivered its 2,000th Kalmar DRF series reachstacker to a customer operating at the Port of Hamburg, one of the world's busiest ports. Cargotec has delivered more than 6,000 Kalmar reachstackers over the years.

Straddle carriers continued to be a popular handling solution for medium-sized terminals and operators of existing straddle carrier fleets. Cargotec received orders for its all-electric straddle carriers from customers in the United States and France. The company launched a new generation straddle carrier featuring design improvements and better fuel efficiency.

Cargotec received a contract for a complete fuel receiving system, including a ship unloader, a control system and a chain of belt conveyors and bucket elevators intended to feed a flat storage area and silo, all designed to handle biomass and coal. The complete system will be delivered to TP Utilities Pte Ltd's new biomass and coal-fired power plant in Singapore and is scheduled to enter operation in the middle of 2012.

Development in offering

Further strengthening its position as a pioneer in the field of yard crane automation, Cargotec handed over the first three of eight automatic stacking crane (ASC) blocks to Hamburger Hafen und Logistik AG's (HHLA) Container Terminal Burchardkai in Hamburg, Germany. The crane blocks are each equipped with three ASCs and related technology.

Cargotec invested in future port solutions by building a test rubber-tyred gantry crane (RTG) with an intelligent platform that improves overall performance and management of container handling equipment fleets at ports and terminals. Cargotec also started testing unmanned shuttle carriers on a new testing field in Tampere, Finland. A new empty container handler was launched as well as a hydraulic hybrid drive terminal tractor.

Original equipment manufacturer (OEM) business in 2010

Bromma is the industry market leader in ship-to-shore crane spreaders, mobile port crane spreaders and yard crane spreaders. More than 8,000 Bromma spreaders are already in use at 97 out of the world's 100 largest container ports. Bromma is part of Cargotec.

Year 2010 saw continued Bromma expansion in the new and growing ports of Asia, the Middle East, Latin America, the Mediterranean and South Africa.

An important achievement in 2010 was the increasing standardisation of Bromma spreaders at more sustainable transshipment ports, such as Malta Freeport and the ground-breaking Tecon Santa Catarina terminal (TSC) in Itapoa, Brazil. TSC is the port industry's first 100 percent all-electric spreader terminal. In 2010 Bromma was selected to supply all the crane spreaders to this pioneering terminal.

In 2010 Asia continued to be the most dynamic of all Bromma's markets, with Bromma winning major all-electric and hydraulic spreader orders from terminals in China, South-Korea, Vietnam, and Malaysia, among other nations in the region.

Bromma launched its second generation all-electric yard crane spreaders in 2010. The spreaders have fewer adjustment points, which reduces the need for servicing and boosts uptime.

Merchant shipping

Market

Cargotec's customers include shipowners, ship and terminal operators, shipbuilders, and navies.

- Shipyards succeeded in reselling capacity freed up by cancellations, which was positively reflected in new orders received by equipment suppliers.
- Demand for equipment for bulk vessels grew especially. China's increasing import of mainly iron ore and coal was a driver for the growing bulk shipping market, resulting in very high newbuilding contracting activity.
- The demand for new RoPax vessels was increasing, as the majority of the sailing fleet is over 20 years old and needs to be replaced. There was also demand for new vessels catering to China's inland traffic.

Demand for Cargotec's solutions

For merchant shipping, Cargotec offers MacGregor hatch covers, cranes, equipment for RoRo ships and ports, selfunloading systems, lashing systems, and services.

The demand for marine cargo handling equipment continued to be favourable, being clearly more active than expected at the beginning of the year.

Cargotec performed well in the merchant marine market. Investments in R&D, efficient risk management processes, the ability to maintain short delivery times, quality on-time deliveries, and capacity increases during the peak of demand were the main factors resulting in good performance. Thanks to a positive order intake in 2010, Cargotec's order backlog remained on a good level. Even in declining markets, Cargotec was able to increase the market share for cargo cranes during the year. For example, in August Cargotec received significant orders from China and South Korea for 275 ship cranes.

The demand for marine cargo handling equipment continued to be favourable, being clearly more active than expected at the beginning of the year.

Demand for container ship equipment showed signs of recovery after a couple of inactive years, and the demand for RoRo equipment started to develop positively during the last quarter. Cargotec secured significant container lashing orders for 17 mega container ships being built in South Korea and another significant order for lashing equipment for 13 container ships.

Despite low demand in the car carrier newbuilding market, Cargotec received orders for fully electrically driven RoRo equipment for pure car carriers. Cargotec's RoRo conversion experts were called in when RoPax vessels which were to be moved to a new route needed to be converted to suit the new requirements.

The demand for Cargotec solutions onboard bulk carriers was dominant during 2010. Cargotec received orders for cranes and hatch covers that form an integral part of a vessel's cargo access and handling ability. One such order was placed by a Chinese shipyard, comprising 68 cranes for 17 vessels, as well as design and key components of hatch covers for 26 vessels.

Service had a slow start in 2010 but it improved during the year with good sales revenue and increasing profitability. The market has gained certain confidence in service spending, but customers' decision-making processes took longer than usual.

In the market there was still demand to convert old single hull tankers into bulk carriers. As a result of Cargotec's development work for a price-competitive process, Cargotec further secured orders for these conversion projects.

Cargotec focused on developing onboard service contracts. An all-inclusive agreement was secured with Grimaldi Group covering maintenance responsibility for RoRo equipment on board 16 vessels in the Finnlines fleet. Another contract covers service on board nine vessels owned by a subsidiary of Grimaldi Group.

Development in offering

Cargotec has further developed its environmentally friendly cargo handling offering, comprising electric cranes, electrically driven RoRo cargo access equipment, dust-free bulk handling systems and electric-drive technology for operating side-rolling hatch covers. Cargotec's latest innovation for operating side-rolling hatch covers was granted the International Bulk Journal's environment protection award.

Cargotec's naval architects continued to work together on cargo handling projects that resulted in total solutions that offered the customer the most efficient and reliable systems featuring high technology and conceptual design. One such customer is Norwegian Grieg Shipping, to whom Cargotec will provide an integrated cargo handling equipment arrangement including hatch covers and electrically-operated slewing cranes.

Cargotec's innovative Test Article Vehicle Transfer System (TAVTS) has been designed to transfer army vehicles between ships at sea. The ramp and heave compensation system developed by Cargotec's experts completed full-scale US Navy sea trials successfully in February 2010.

Offshore logistics

Cargotec's customers include offshore vessel owners and operators, as well as shipbuilders.

Market

- The activity in the offshore logistics market increased in 2010 compared to 2009.
- Contracting of new offshore support ships was sluggish at the beginning of the year, but activity picked up in the second half of the year.
- To cope with the growth in energy demand driven by emerging markets, oil companies have increased investments in exploration and production of oil and gas and in fleet renewal. Development of oil fields off the east coast of South America and the west coast of Africa are the strongest drivers for investments in the subsea segment, resulting in a growing need for offshore ships supporting drilling and production rigs.

Demand for Cargotec's solutions

For the offshore logistics market, Cargotec offers MacGregor anchor handling and subsea load handling solutions, as well as MacGregor solutions for towing and mooring operations.

Orders for equipment and systems were secured in 2010 for all Cargotec's three offshore logistics segments. In October, Cargotec received an order from a Chinese shipbuilder for a series of 16 shipsets of anchor handling systems built for a European-based ship owner. This contract was a continuation of an earlier order to deliver anchor handling systems for four ships to the same owner. Cargotec's equipment, driven by proven technology, is specially designed and manufactured to meet the customer's operational requirements.

Cargotec secured a significant contract for offshore subsea load and module handling systems from a Singapore-based owner. This significant order clearly demonstrates Cargotec's ability to supply integrated offshore load handling solutions that improve overall functionality of a specific ship type, providing added value to the customer.

Service and training form an important part of Cargotec's offshore business.

Another testimony of Cargotec's ability to provide state-of-the-art technology was an order for two knuckle jib cranes from a customer based in Singapore. These active heave-compensated cranes are to be installed on an ultra-deepwater supply vessel and a self-propelled accommodation barge.

Development in offering

Cargotec formed competence centres dedicated to designing complete solutions that define all functionalities of a purpose-built ship in order to respond to the market demand for total functional responsibility. Cargotec not only provides advanced technology, but is committed to deliver solutions that are operatively available throughout the life cycle.

Training of crews and operators of advanced equipment is an essential part of Cargotec's service range. Training by simulation has recently gained ground in the industry. Cargotec invested in the development of a full-scale training simulator to provide enhanced training programmes to its customers. In addition to training operators on advanced MacGregor offshore load handling systems with active heave compensation, the simulator helps demonstrate the function of products and assess elements such as their anti-collision ability, plan operations, and also log data for playback to evaluate and improve future operations.

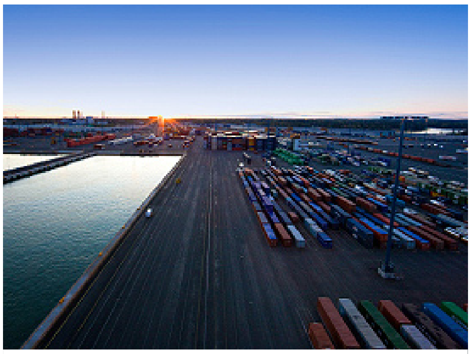
Later in the year Cargotec launched actions to strengthen cooperation with Cargotec's Services organisation to integrate the offshore service business. When fully integrated, customers will gain from the synergies as well as from an expanded range of service solutions.

Customer first

Cargotec has a large clientele on land, at sea and in ports. Cargotec customers include shipowners, ship and port operators, shipyards, distribution centres, fleet operators, logistics companies and truck owner-operators, as well as the defence forces of various countries. Customer focus, and the profitable growth derived from it, define Cargotec's operations. Sales, research and development and services are all designed to address customer needs. A service network with a global coverage allows Cargotec to serve major global enterprises and local players alike.

Cargotec helps its customers develop their business, while leading the way globally in cargo handling. In a unified company, information and competence are shared efficiently between regions, allowing Cargotec to supply its customers with innovative solutions meeting sustainability requirements.

We are proud to present six Cargotec success stories from different industries and different parts of the world.



Cargotec guarantees first-class services for its local and global customers on land, at sea and in ports through its global service and distribution netw ork.

Enabling on site, on time delivery

The building construction industry in the United States saw a moderate improvement in 2010 from the year before. Cargotec´s long-time customer Ryan Building Materials, Inc serving the Detroit, Michigan metropolitan area in the United States successfully balanced the demand with its capabilities resulting in an order for a new Hiab XS 335 K crane. The unit was delivered in December 2010.

Dedicated to providing its customers with reliable performance, Ryan Building Materials handles, for example, drywall, ceiling tiles, steel studding and insulation, with a fleet of Cargotec equipment. The building supply company operates with seven Hiab wall board cranes on flat bed trucks and three Hiab Moffett truck-mounted forklifts.

"The equipment from Cargotec is the perfect solution for delivering materials at a job site," says **Bill Johnston**, CEO of Ryan Building Materials, Inc. "They handle quickly, smoothly and accurately which allows us to perform efficiently."

Ryan Building Materials, Inc uses Cargotec equipment for delivering materials at a job site.

A Hiab Moffett truck-mounted forklift detaches itself from the rear of a truck in less than a minute. The unit can traverse most terrain conditions allowing the operator to place materials where they are needed.

Hiab wall board cranes reach safely and smoothly several stories high. Their optimised boom system affords greater lift capacity at higher levels and faster loading/unloading speeds. Operated by remote control, the operators have the freedom to survey the situation and perform with care and precision.

"The equipment is extremely efficient and trouble-free," Johnston continues. "Over the years, Cargotec has improved the technology of its cranes with better safety and control features. Each machine continues to deliver consistent performance which enables us to provide the high level of service that our customers have come to expect from Ryan Building Materials, Inc."

The level of difficulty varies between job sites so regular maintenance is a must. Cargotec performs all scheduled service on the units either at the customer's location or at its own workshop nearby.

Increased efficiency with a full Cargotec service contract

When you are in the business of processing the waste generated by a nation of 16.5 million people, the demand for efficiency and sustainability is high. With its fleet of over 900 vehicles, SITA Nederland provides waste management solutions for businesses and municipalities in the Netherlands. SITA, a part of Suez Environnement, has relied on close collaboration with Cargotec for many years.

Cargotec maintenance contract allows SITA Nederland to concentrate on improving the efficiency in core activities.

It was over 15 years ago when **Eddy De Jong**, Fleet Manager at SITA Nederland, first contacted Cargotec (then Hiab) to discuss developing a total maintenance plan for a fleet of Hiab products used by SITA. Together, Cargotec and SITA designed a full maintenance contract that covers the entire equipment life cycle, which is typically 10 years.

The current contract was signed in 2002. Within the agreement, the maintenance and repair work of Hiab skiploaders, demountables, hooklifts and loader cranes is placed firmly in the hands of Cargotec. A fixed monthly fee has eliminated SITA's worry of any additional service costs.

"Because all the maintenance activities are managed by the Cargotec maintenance contract, we are free to concentrate on improving the efficiency in our core activities of waste handling and logistics. This has contributed to us meeting our business targets and has played a major role in increasing the utilisation of the fleet", De Jong says.

In 2010, 25 new Hiab products where included in the repair and maintenance contract. This means at least another decade of intensive collaboration between SITA and Cargotec.

Cargotec has an extensive service network of around 160 technicians in the Netherlands. Operating from dedicated workshops or fully equipped service vehicles, the Cargotec teams are always ready to respond to the needs of the customer.

Reaching new heights in Malaysia

The ongoing growth of intra-Asia container traffic indicates that the region has recovered quickly from the global economic downturn. Many container terminals in Asia are already running at full capacity, and demand for efficiency in container handling operations is growing.

Cargotec's strong presence in the Asia-Pacific (APAC) region was strengthened as the company won two contracts in September 2010 to refurbish and upgrade ship-to-shore cranes for Northport (Malaysia) Bhd. Based in Port Klang, Northport is one of the biggest and busiest terminals in Malaysia, with throughput of 4 million TEUs in 2010. Northport (Malaysia) Bhd is the country's largest operator of multi-purpose ports.

Cargotec is responsible for ship-to-shore crane modernisations at Northport, one of Malaysia's busiest container terminals.

During the project Cargotec will completely refurbish eight cranes with the latest programmable logic control system and digital drive technology. The existing DC electrical motors will be replaced by AC motors for the entire crane. Two further post-Panamax cranes will be raised in height by five metres to enable loading and unloading of larger container ships.

"We have many years' experience of working with Northport. We worked hard and in close collaboration with the customer to secure this contract. Despite the presence of strong competition for this project, our track record of delivering quality and commitment was one of the things that spoke in our favour," says **Collin Swee,** Managing Director of Kalmar Malaysia.

The cranes used by Northport are between 12 and 15 years old. They will be converted to utilise the latest crane management system software and wireless remote diagnostics tools to ensure faster recovery time, higher uptime, and lower maintenance costs in the future.

Although the cranes used by Northport are not manufactured by Cargotec, the company was chosen as the main contractor for this technologically complex project. This demonstrates Cargotec's ability to undertake major modernisation of other manufacturers' equipment as well.

"A big part of our business is either engineering or maintenance, and the products do not necessarily have to be our own. The demand for upgrade projects such as this one will definitely continue to grow in the APAC region," Collin Swee explains.

Refurbishing the cranes in Port Klang will begin in spring 2011. The cranes will be upgraded one at a time, each requiring approximately 30 days of work. Testing and commissioning will be done along the way, and the entire project is expected to be completed during the first half of 2012. The port will stay fully operable during the crane upgrades.

"This new contract is an example of an initiative where we work in partnership with our customer to provide quality service advantage and technological excellence", Collin Swee concludes.

In 2010, Cargotec became a majority shareholder in Kalmar Malaysia, the leading supplier of port equipment systems and services to Malaysian ports.

Energy efficiency and flexibility in cargo transport

The Norwegian shipowner Grieg Shipping ordered cranes and hatch covers from Cargotec for ten general cargo ships. These orders totalled about EUR 55 million in value. The shared objective was to develop an innovative total cargo handling solution that is both energy efficient and flexible.

Grieg Shipping's new 48,700 dwt (deadweight tonne) general cargo ships will be equipped with 40 variable frequency drive (VFD) MacGregor cargo cranes and a combination of MacGregor folding, pivoting and piggy-back hatch covers. Cargotec will supply the cranes and hatch covers to the Hyundai Mipo Dockyard in South Korea, where the ships will be built between 2012–2014.

"The cargo handling design was created in close cooperation with the shipowner and Cargotec's cranes and dry cargo business lines. The result is a completely new, integrated cargo handling equipment arrangement which is more versatile. This enables the transportation of a wider range of project cargoes," says **Ari Viitanen**, Cargotec's Sales Director for dry cargo ships.

Grieg's open-hatch vessels have traditionally employed a combination of gantry cranes and lift-away hatch covers. The new cranes are environmentally friendly. The flexibility of the cargo handling system enables the more efficient use of the vessels.

Three key factors contribute to the small carbon footprint of the new cranes:

- Faster and more accurate hook positioning during loading and unloading, reducing the loading cycle by up to 20 percent and therefore cutting down the time spent in port
- 30–35 percent lower power consumption
- Lower energy (bunker oil) consumption, due to low power consumption.

Grieg Shipping has ordered Cargotec's energy efficient electric cranes for its new general cargo ships under construction.

"Our objective of reducing energy consumption was a key criterion in crane development work. Equipped with MacGregor cranes, the new vessels bring versatility to our fleet. We believe that this will open up new cargo transport opportunities and thereby raise our earnings potential," says **Jan Øivind Svardal**, Vice President for Project Development, Grieg Shipping.

"We work closely with our customers, which enables us to introduce innovations improving the safety, efficiency and sustainability of their operations," says **Per-Erik Nilsson**, Cargotec's Sales and Marketing Director for MacGregor cranes.

Grimaldi Group outsourced ship maintenance to Cargotec

The Grimaldi Group has outsourced part of its maintenance responsibilities by signing MacGregor Onboard Care agreements with Cargotec. These cover RoRo equipment on board 52 RoRo vessels.

Cargotec handles the maintenance of RoRo equipment onboard 52 vessels of the shipping giant Grimaldi Group.

Cargotec currently has a number of all-inclusive MacGregor Onboard Care contracts with Naples-based shipping giant, Grimaldi Group:

- The latest three-year agreement was signed at the beginning of June 2010 in Helsinki, Finland, and includes an option for a two-year extension. Initially, the contract gives Cargotec full responsibility for all RoRo access equipment on board eleven vessels owned by leading Baltic Sea operator, Finnlines Plc, part of the Grimaldi Group. The number of vessels increased to 16 at the beginning of 2011.
- In January 2010, Cargotec secured a MacGregor Onboard Care all-inclusive contract covering all service issues on board nine vessels owned by a Grimaldi Group subsidiary, Atlantic Container Lines (ACL), and managed by ACL Ship Management (ASM).
- At the end of 2009, Cargotec signed a MacGregor Onboard Care all-inclusive contract for the continuation of a three-year agreement with Grimaldi Group. This agreement covers 27 vessels and includes an option for a two-year extension.

In response to the latest contract, Grimaldi Group corporate Purchasing Director **Giancarlo Coletta** comments, "This agreement is another milestone in our plan to extend planned maintenance contracts to all of our vessels, in order to assure our customers of RoRo equipment of the highest reliability and availability. At the same time, it also demonstrates the partnership that Grimaldi Group has had with MacGregor, and now with Cargotec, over several decades."

Roberto De Gioia, Cargotec's Marine Service Regional Manager for the Mediterranean, says, "The continuation of the contract demonstrates the fruitful cooperation with our VIP customer. We are committed to ensuring the equipment's operative availability, while securing sustainable ship operations and earning capabilities. The new, highest level of cover agreement provides the best value for the Grimaldi Group."

"The experience achieved over the last three years and the genuine partnership built by our work with this customer was invaluable during the process of considering the new concept and the large number of ships involved. It is vital to listen to the customer's needs. Communication is a key to success. Also, being close to our customer enables us to respond quickly, offering our expertise and technical know-how," De Gioia explains.

Cargotec's MacGregor Onboard Care service concept

Cargotec's MacGregor Onboard Care service concept offers customers sustainable ship operations and revenue earning capabilities by ensuring the operative availability of equipment through planned maintenance.

Today, more than 400 vessels are protected by a MacGregor Onboard Care agreement that takes care of hatch covers, cranes, RoRo equipment, offshore devices, bulk selfunloaders and linkspans.

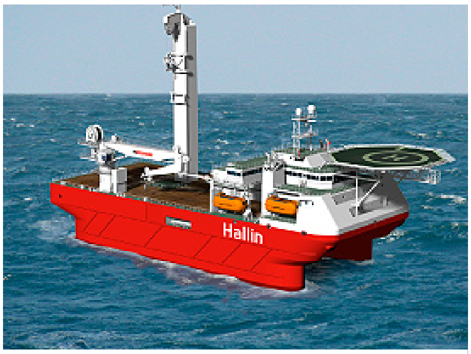
Cargotec solution for subsea load and module handling

By understanding customer needs and supplying vessel type specific total solutions, Cargotec can improve the overall efficiency and productivity of the customer's operations, thereby creating added value.

"Products should not be separated from the overall solution," says **Mario Greiner**, Cargotec's Senior Vice President responsible for business development.

"It is important to consider products as part of the system, in order to be able to improve and optimise the vessel's performance. Naturally, everything begins from customer needs."

An excellent example of Cargotec's ability to provide complete solutions is the system supplied to Hallin Marine Subsea International. In the summer of 2010, Cargotec signed a contract with the company, covering MacGregor subsea load and module handling systems. The delivery comprises integrated solutions that will optimise the functions, and thereby the overall functionality, of the ship type in question.



Hallin Marine's innovative offshore vessel utilises MacGregor subsea load and module handling systems by Cargotec.

This contract is a testimony to the confidence of customers in both the superior technology and reliability of MacGregor equipment, and Cargotec's ability to provide complete, integrated solutions which enable the customer to operate sustainably and as intended.

Integrated MacGregor solutions will be installed on Hallin Marine's ground-breaking, compact, semi-submersible (CSS) offshore vessel. These solutions consist of several advanced load handling systems that guarantee and optimise the efficiency and functionality of this vessel type. The completion of the twin-hulled CSS vessel is the culmination of a five-year project designed to deliver large-boat capability, at the price of a much smaller vessel. This vessel will focus on light well intervention.

Through its global service organisation, Cargotec offers integrated service solutions to marine and offshore operators worldwide. As part of the service agreement under the Hallin Marine contract, Cargotec will deliver equipment with remote diagnostic capabilities, and provide operator training.

Cargotec's research and development

In 2010, Cargotec continued to promote its successful ongoing research and development (R&D) projects, while enhancing the efficiency of its internal processes.

Much of Cargotec's clientele operates in growing markets. Cargotec is striving to enhance its presence in these markets, as laid down in its strategy refined in 2010. In R&D, this has translated into increased investment in research, development and engineering units particularly in China and India. Cargotec's customers include a large number of industry leaders in their selected fields. Meeting customer and customer industry needs is an integral part of Cargotec's strategy and, therefore, of its R&D efforts. Bearing these key requirements in mind, Cargotec strives to generate innovations that meet customer expectations.


The aim of research and development projects is to reduce the lifecycle costs of equipment while increasing eco-efficiency.

In the last two years, Cargotec has made determined investments in technology research, with a focus on developing environmentally friendly, energy efficient and safe solutions. The objective is to reduce equipment costs across life cycles, while improving eco-efficiency by developing improved structures and components, and creating alternative fuel solutions.

Information and communication technology represents a vital research area. Cargotec aims to make its products more intelligent and safer, enabling devices to communicate better with the driver and the surrounding environment.

In terms of research innovations, Cargotec believes in open interaction. This translates into active cooperation with research institutes, universities and other companies. By networking with leading experts in various fields, Cargotec remains at the cutting edge of technological development. In 2010, Cargotec continued to play an active role in the Finnish Metals and Engineering Competence Cluster, which represents strategic excellence in metal products and the engineering industries. Cargotec was involved in projects with research themes covering energy efficiency, networked management and innovation, and intelligent solutions. One of these projects examined ways of utilising a virtual environment to make a crane operator's work more efficient.

In 2010, Cargotec conducted an extensive development project designed to harmonise internal processes. Progress in R&D was evident in the establishment of a global Research, Development and Engineering organisation in the Industrial & Terminal business area. R&D process harmonisation continues. By harmonising its working methods, Cargotec aims to increase efficiency and provide better customer services worldwide.

Cargotec also pursued its plans to convert the Tampere unit into a competence and technology centre at the beginning of 2011, in order to improve the worldwide competitiveness of the company's products. New, state-of-the-art facilities are scheduled for 2013, in the vicinity of Tampere University of Technology in the city's Hervanta district.

Cargotec's research and development

- Cargotec's R&D expenditure in 2010 amounted to EUR 37.1 million.
- Research and development accounted for about 1.4 percent of sales.
- Cargotec has R&D units in all main market areas: Europe, North America and Asia.
- Approximately 4 percent of Cargotec's personnel is working in R&D.
- The competence and technology centre will launch operations in Tampere, Finland, in 2011.

Crane safety to a new level

The European Union's Machinery Directive (2006/42/EC), which entered into force at the end of 2009, together with the more detailed loader crane standard (EN12999:2009), placed stricter demands on the industry. Cargotec has been a pioneer in ensuring that its new Hiab cranes conform with the directive.

The key objective of the Machinery Directive is to minimise accidents on site. The directive contains both mandatory provisions regarding health and safety and supplementary provisions that are voluntary. Cargotec has been the first crane manufacturer to respond to these requirements by partnering with end-users in improving safety features.

Cargotec has improved safety features of Hiab cranes in collaboration w ith users.

Cargotec's key innovation is the Variable Stability Limit (VSL) . This controls crane capacity in relation to the prevailing stability by monitoring the reach of the support legs and keeping them firmly on the ground. Automatic stability control during load handling allows the crane operator to focus fully on the job at hand. The system also guarantees the safety of people and vehicles in the vicinity. In some cases, VSL can offer the crane more operating space and extend its stability limit without risking safety.

Cargotec's Hiab cranes are also equipped with other, easy-to-use features, such as control panel and remote control warning systems and warning lights in the support legs. In addition, the driver can specify a virtual protection cage, allowing the system to automatically stop the crane boom from entering a prohibited area.

All of these innovations were developed in compliance with the Machinery Directive requirements. Most importantly, they benefit Hiab crane operators, by making their work safer and more efficient. Meanwhile, Cargotec is helping its customers and partners meet the new directive's requirements.

Green power in New Zealand

The new generation, fuel-cell operated ECF50-90 series Kalmar forklift trucks offer customers a superior combination of power and ecology. In the design engineering for these trucks, the object was to combine user-friendliness, reliability and high-powered energy efficiency with low lifecycle costs. In 2010, the southern hemisphere's first ECF50-90 forklifts were successfully introduced in New Zealand.

Even in heavy-duty applications, the performance and reliability of ECF50-90 forklifts are superior, with zero emissions. High energy efficiency means low battery-charging frequency; in addition, an owner of electrical equipment has no need to worry about fuel price fluctuations. Hydraulics design, high-quality parts and advanced electronic systems also improve productivity and usability.

These forklifts are designed to provide high comfort to operators. Stability, excellent driving properties, low noise and an ergonomic cabin design raise the comfort of work. In the long term, energy savings and advanced design also cut costs. Furthermore, the power and comfort of ECF50-90 forklifts represent a competitive advantage to the customer.

New generation Kalmar forklifts save energy and costs.

The first ECF50-90 series forklift in its geographic area was commissioned by the New Zealand-based MDF board manufacturer Dongwha Patinna NZ Ltd. Before making the decision to switch to the new generation forklift, Dongwha compared the lifecycle costs of the internal combustion forklifts they had used previously, with those of the electric Kalmar forklift. After factoring in the initial cost, fuel and charging costs, as well as maintenance, the Cargotec solution was the more cost-efficient alternative.

Dongwha forklift operators became used to the new technology very quickly. Great performance, good cabin ergonomics and excellent visibility all added up to improved working comfort and productivity. Operators were also pleased with the radio and heating included as standard features.

International Stevedoring Operations Ltd, which holds a contract with kiwi fruit marketing company Zespri, has also purchased a Kalmar ECF90 series forklift, for fruit transport. The double fork system allows the forklift to carry four pallets of kiwis at a time, instead of the conventional two. In this way, the fruit can be quickly unloaded from a truck and placed in a cold store or ship for further transport. This keeps the fruit in better condition and raises productivity.

Efficiency in container handling through automation

Germany's largest container terminal, the Container Terminal Burchardkai (CTB) in the Port of Hamburg, is undergoing a major overhaul. Operated by Hamburger Hafen und Logistik AG (HHLA), the terminal's container storage area will be automated, while its annual container handling capacity will be doubled.

In 2010, Cargotec supplied the first three blocks containing nine of the 24 Kalmar automatic stacking cranes ordered. This made Cargotec the world's first crane supplier to deliver highly customised control and automation systems for such an exceptionally extensive and technically complex project.

The idea of modernising Burchardkai arose at the turn of the millennium, when HHLA was considering various options for increasing the terminal's container handling capacity. Since the terminal is built on an island, there was no more land on which to grow; growing upwards was the only remaining alternative. The solution was Cargotec's Kalmar automatic stacking cranes. The cranes are able to lift containers five containers high above a container yard, while handling container rows six containers high.

To facilitate the cranes' introduction, Cargotec developed a crane block simulator to test how well its intelligent applications and cranes would integrate with the customer's control systems. This was also intended to ensure operational safety.


Germany's largest container terminal in Hamburg relies on Cargotec's automation technology.

Under the current system, three separate cranes operate in one storage block, with the two smallest operating on the same set of rails. Because the third, outer crane has its own rails, it is able to pass the two inner ones. This three-crane concept affords greater flexibility and guarantees high-performance container handling at peak times.

HHLA has an ambitious objective: to raise the Burchardkai terminal's container handling capacity to more than five million TEU (TEU is one standard 20-ft container) by the end of the modernisation project. Cargotec is playing a key role in meeting this objective.

"One of the major benefits of working with Cargotec is that they not only supply technology and equipment, but also software customised to meet our system requirements. Overall responsibility therefore remains with just one supplier," explains CTB's director **Christian Blauert**.

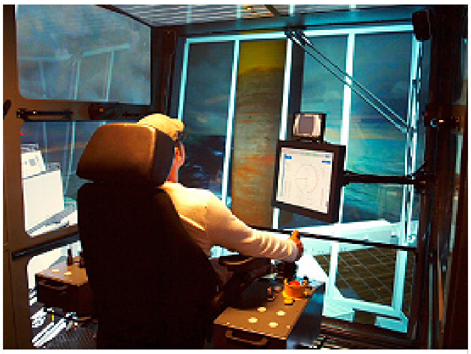
Offshore crane training simulator opens up new opportunities

In 2010, Cargotec offered its customers access to an offshore crane simulator that brings a whole new dimension to training.

The training simulator, built and tested by Cargotec's engineers, is located in Kristiansand, Norway, at its competence centre in subsea load handling. It provides a life-like operating environment and can imitate various scenarios. The simulator was customised for operators of offshore load handling equipment who use advanced active heave-compensated (AHC) technology, such as offshore and subsea cranes. Since the number of AHC cranes on offshore ships is rapidly increasing, such customisation was a natural step.

The new simulator plays a key role in Cargotec's extended training in the use of offshore load handling equipment. In a few days with the simulator, operators can experience different situations in a manner that is equivalent to weeks of training through more traditional methods. It also provides genuine experience of potential malfunctions and emergency situations in different weather conditions.

Inside, the simulator is identical to a full-size crane cabin. Several high-resolution display units stand in for windows, offering a view over the entire operating environment. Sound effects and views that change with the operator's head movements add to the realistic feel.



Cargotec's offshore training simulator provides a realistic user experience.

"We have succeeded in creating a crane cabin so realistic that we expect our trainees to forget that they are not operating a real crane," says **Eldri Nærum,** head of the technical department responsible for advanced load handling systems.

Being housed inside a 20-foot container makes the simulator even more practical. This means it can easily be transported to the customer, if necessary. Besides its primary training function, the simulator offers a range of other practical features such as Cargotec product presentation, data storage, and the quick design and testing of new concepts.

In 2010, Cargotec took big steps to building a stronger shared identity.

Strategy

- The Cargotec strategy was refined in 2010.
- The strategic focus areas identified are customers, emerging markets, service business and internal clarity.

Global trends

- Success requires adapting to changes in the global environment.
- During the strategy process, Cargotec experts identified global trends estimated to have an influence on the company's future.

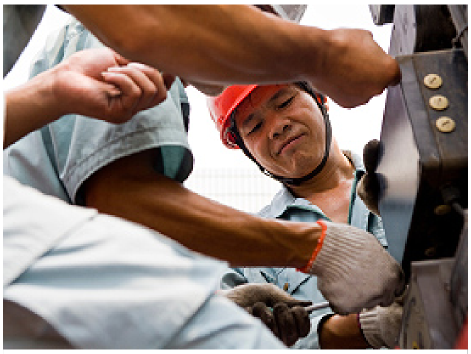
Sustainable development

- Cargotec strove to minimise the environmental impacts of its supply chain and use of its products through research and development.

Personnel

- The first global employee survey in Cargotec's history was conducted.
- Values and development discussions were included in the management process.
- Cargotec's people strategy was refined.

Strategy at work: driven by customer focus



Cargotec's strategic focus areas are customers, services, emerging markets and internal clarity.

As a result of a two-stage strategy process, Cargotec has refined its strategy for the coming years. The objective was to identify changes in market conditions and anticipate future developments in Cargotec's business environment. In the first stage, top management outlined megatrends in the global economy that will have a major impact on the company's future success. In the second stage, a large number of Cargotec's own experts were invited to join the strategy process. They were encouraged to openly share their views on the company's customer and industry segments and growth markets.

Four focus areas emerged from the strategy process:

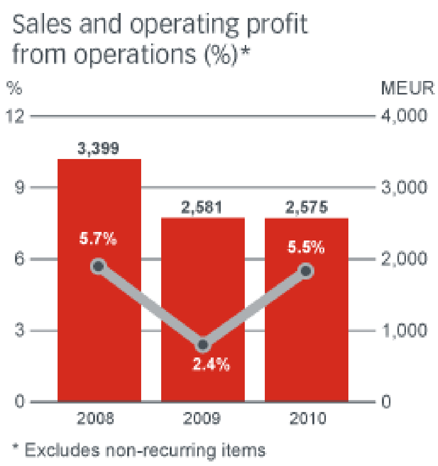
- **Customers**: Customer perspective lies at the heart of the refined strategy. This means focusing on selected segments, while making a flexible transition towards a more customer-driven approach.
- **Services**: Stronger emphasis is put on service development, in line with the customers' value chain, and on seeking growth when customers outsource their service operations.
- **Emerging markets**: Mature markets are showing slower growth. A successful company must be strong, particularly in growing economic areas.
- **Internal clarity**: Enhanced efficiency and unity are pursued through process development.

Cargotec came to the conclusion that, in a rapidly changing world, preparing a detailed five-year plan was not feasible. Instead, defining focus areas is crucial, since these would enable continued business development in line with the company's strategy.

Based on the refined strategy, financial targets were reconfirmed. These targets reflect the industry's growth expectations, as well as actions already taken, or to be taken, by Cargotec.

Cargotec's financial targets:

- Annual sales growth exceeding 10 percent, including acquisitions
- Raising the operating profit margin to 10 percent
- Gearing below 50 percent (over the cycle)
- Dividend at 30–50 percent of earnings per share



Skilled personnel a key success factor

Successful strategy implementation requires a customer oriented mindset and operating model across Cargotec. It is also the basis for creating sustainable competitive advantage. One way of promoting the strategy is to encourage the personnel to identify customer needs. Cargotec is flexible and able to respond to change. This is demonstrated by its ability to take account of needs which only become apparent when working with the customer.

Because personnel plays a crucial role in strategy execution, Cargotec is investing in human resources and competence development globally. Such measures will secure the best talent in the industry that Cargotec needs to meet its strategic objectives.

Strategic focus areas

The four focus areas identified in Cargotec's refined strategy are Customers, Emerging markets, Services and Internal clarity.

Customers

Operational integration is a growing trend among Cargotec's customers. Companies are becoming more efficient as they grow, forming global partnerships. To meet changing customer needs, Cargotec needs an extensive geographic presence, combined with a flexible, adaptive operating model. In this changed customer environment, a regional division of operations is no longer fit for purpose. Accordingly, instead of regional leadership, Cargotec is seeking leadership in selected segments.

“Performing well in Europe or America is not enough – we need to do so worldwide. Our Marine business area is doing just that. Many of its products are industry leaders globally,” explains **Mikael Mäkinen**, Cargotec President and CEO.

Discovering growth potential is about identifying customer needs. "To serve our customers better and understand what they really want, we need to see things from their perspective," Mäkinen points out.

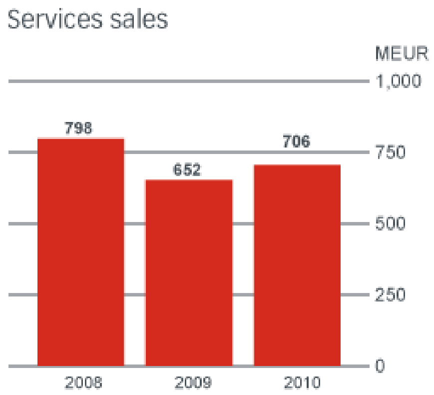
By understanding customer needs, Cargotec can target its resources and, for example, research and development investments effectively, while better serving the customer.

Services

Cargotec offers support throughout the customer's supply chain. Cargotec will maintain its competitive assets, such as outstanding and reliable technical services and spare parts delivery management, and develop them further.

Shared business concepts and other forms of inter-company cooperation are becoming more popular, due to the increasingly networked nature of Cargotec's market environment. A prime example of this is service outsourcing, which offers considerable business growth opportunities, particularly in Asia. Service outsourcing provides customers with flexibility, since they no longer need to maintain their own servicing systems. This leaves them free to adjust their operations, to provide a better fit with changing conditions.

For Cargotec, outsourcing represents a business opportunity. Thanks to its customer-driven, truly global operations, Cargotec can offer its customers the total service and maintenance they need.



Emerging markets

Within the global economy, emerging markets continue to grow in significance. A presence in such markets is one of the key points of Cargotec's strategy. Growth is faltering in the North American and European markets, where Cargotec is focusing on consolidating its current position. In the emerging markets, especially China, the company is seeking a strong foothold, creating broad-based growth and striving to disseminate its existing know-how.

For Cargotec, emerging markets mean the BRIC countries, Brazil, Russia, India and China, and the African continent, in particular. In these regions, Cargotec is growing its business through acquisitions, partnerships and organic growth. The key issue is to tap into local resources and succeed in local competition. To generate growth, the company is investing in the dissemination of knowledge and competence from established markets into new market areas. For Cargotec, a changing market environment represents an opportunity as well as a challenge.

Internal clarity

During the years 2007–2010, the company completed major change initiatives designed to harmonise its operations and to create one Cargotec. In the coming years, Cargotec will continue to follow the One Company operating model by emphasising internal clarity and creating efficient, consistent processes.

As the entire business becomes more process driven, Cargotec's refined strategy is focusing on the development of processes and shared practices. An extensive process development initiative is currently under way. This involved the definition of key business processes in 2010, while key support processes are to be introduced in 2011.

Defining a common way of working for the company's various processes will enable Cargotec to identify synergy benefits and create a uniform, customer-driven approach. "The objectives of this initiative include greater efficiency and quality, and a sharper response to customer needs," explains Mikael Mäkinen.

Cargotec is also engaged in improving its project management. By honing project management methods, projects can be standardised and prioritised. This allows resources to be allocated wisely, while ensuring that projects support strategy execution. It also involves identifying a consistent project management model for internal development projects. Whether striving to improve the company's processes or project management, the aim is the same: internal clarity and efficiency. In addition, integrating Cargotec's information management systems will help to achieve the transparency required for a global business.

Since personnel is the key to strategy implementation, Cargotec uses various communication methods in the pursuit of its strategic goals. Clear and consistent messages are being used to communicate focus areas across the organisation. At the employee level, Cargotec will also draw up personal objectives in line with the strategy. Effective communication is needed to establish the common processes leading to efficient, harmonised operations.

Cargotec and global trends

It is impossible to see into the future of our ever changing world. However, in discovering the path to continued success, we need to read the signals given by the past and present.

In 2010, Cargotec refined its strategic focus areas. The Cargotec strategy is based on understanding the customer, while flexibly adapting to changes in the world economy and Cargotec's industry.

Read more on how four key global trends are impacting on Cargotec's business.

Return to Asia

The global economic focus is shifting from the west to Asia. This represents a historical cycle: global economic growth has returned to where it still lay two centuries ago.

Intra-Asian freight already accounts for 37 percent of global container traffic.

The economy is moving to where people, raw materials and knowhow are found

Certain key factors, including people, raw materials and know-how form the basis of economic focus areas. Growth concentrates wherever resources are most readily available.

Asia has become the hub of global production. Cargo flows from Asia to the rest of the world have shown steady growth, as production to feed Western consumption has centralised in Asia. Sea transportation is particularly affected by this.

Asia's importance to the global economy is not only explained by the way in which production has centralised there. Growth in Asian countries' gross domestic product boosted their own wealth, which is reflected in increased consumption. This has created major local economies in Asia, with production and consumption concentrated in the same markets. As much as 37 percent of the world's container traffic can already be found within Asia.

Growth in sea transportation is boosting demand for solutions supplied by the shipbuilding industry. A need for efficient container handling solutions is also being created by growth in Asian cargo flows, which is increasing the number of containers handled in local ports.

85 %

Did you know that about 85 percent of new orders for ships went to Chinese, South Korean and Japanese shipyards in 2010.

Cargotec monitors, understands and grows

Cargotec is keeping a close eye on the development of national economies in different regions. Economic growth is increasing both material flows and demand for cargo and load handling solutions.

Within the world's economic growth areas, Cargotec has a significant market share in Asia. Understanding the changes underway and customer needs is vital to maintaining this position. In a tightening competitive situation, Cargotec's strengths lie in its ability to deliver complete solutions alongside the industry's most comprehensive customer service, in addition to individual items of equipment.

Employee skills and competitive pay are essential to securing market leadership. A well-functioning subcontractor and supplier network also plays a key role in enabling Cargotec to perform as it does.

Where customers are found and need arises – that is where Cargotec is increasing its production, services and R&D. In the last few years, the company has increased its investments in Asia in particular. It is also seeking a stronger presence in other emerging markets, such as Russia and South America. Recruitment is balanced towards global economic growth areas.

Urbanisation

Urbanisation is a major trend affecting Cargotec's business. Global urbanisation is accelerating, particularly in Asia and other developing areas, such as South and Central America and Africa.

Urban life requires extensive material flows: for example, foodstuffs must be transported from elsewhere.

Expanding middle class increases consumption

Increasing wealth is accelerating migration to cities. This is leading to a burgeoning middle-class of urban consumers.

Expansion in professional retailing is a sign of the growth of urban areas. As the supermarket phenomenon has spread from western countries to the rest of the world, suburban areas have become centres for the grocery trade and local material flows.

Rising consumption is creating a need for the development of local and regional logistics and infrastructure. For example, higher cargo transport volumes are increasing demand for Hiab load handling solutions used in trucks. Waste created by growing consumption and building activities requires systematic waste handling solutions, which is one of Cargotec's key competence areas.

Urbanisation and rising consumption are creating a need for the development of logistics and infrastructure.

Urban development is characterised by construction activity. In particular, Cargotec is meeting the construction industry's needs by providing truck-mounted loader cranes.

6 billion

Did you know that it is estimated that over 6 billion people will live in cities by the year 2050.

Acceleration of technological change

In recent decades, information and communication technology has developed at an almost revolutionary pace. This trend shows no signs of slowing. In fields such as cargo and load handling, innovations based on modern technology are helping to meet increasing efficiency, safety and environmental requirements.

Digitalisation creates new business

Digitalisation is a key driver of technological change, as evidenced by the spread of smart solutions. In Cargotec's sector, this means equipment that is better able to communicate with both the operator, if any, and the operating environment.

Awareness of surroundings increases the safety of the equipment operator and other people nearby. Bearing this in mind, Cargotec has equipped its Hiab cranes with a range of new safety features based on digital technology and fully in line with the EU machinery directive. The company is also participating in a research project aimed at developing a system which uses sensors to monitor the driver's alertness.

Technological development brings advanced automation systems to the market. For example, although ports have used automatic cranes for container handling since the late 1980s, demand for these solutions has only become substantial in recent years. In 2010, Cargotec handed over the port of Hamburg's first three automatic stacking crane (ASC) blocks. These blocks are equipped with nine of a total of 24 Kalmar ASCs ordered, as well as a control system designed for the customer's needs.

Tightening efficiency, safety and environmental demands can be met through technological innovation.

Software is a new, important business line for Cargotec. Developments in remote monitoring give us a better understanding of how and why customers use their equipment. Based on the data collected, products can be further developed to fulfil customers' needs even more effectively. Thanks to remote control, software problems can be identified and solved, and necessary maintenance measures proactively planned.

Control and automation system development within Cargotec is concentrated in the research units in Finland and the Netherlands. In recent years, the company has also begun the systematic creation of joint, Cargotec-wide research and product development platforms, as well as control systems supporting these.

Alternative materials and energy sources

Dwindling raw material resources and tightening environmental legislation are the key drivers of technological change. In load and cargo handling, this is particularly evidenced by the growing need for alternative fuel solutions. In the last few years, Cargotec's research and development efforts have resulted in the introduction of electric, hybrid and fuel cell technology based equipment, as well as research data for the development of future equipment.

Products' energy efficiency and safety can also be improved by reducing the weight of equipment. This can be achieved by, for instance, developing the characteristics of steel or using alternative materials. Fuel consumption can also be cut by reducing friction or combining components to improve the overall efficiency ratio.

200

Did you know that graphene, a film of carbon atom as thick as an atom layer, is 200 times stronger than steel. The scientists who developed this material were awarded the Nobel Prize in 2010. As a conductor of electricity and heat graphene is superb and could be the next revolutionary thing in the production of electric components.

Finding new paths through partnership

Cargotec is closely monitoring the technology projects underway in other industries and research communities. It also maintains close cooperation with other companies, universities and research institutes. In this way, Cargotec contributes to the generation of innovations, while maintaining ongoing access to the latest information on technological advancements with an impact on its industry. Cargotec implements this information in the development of new solutions.

Lack of critical materials

The depletion of raw material resources critical to society, such as oil and metals, requires a new way of thinking from all players.

Lack of fuel

The reduction in known oil resources has led to oil exploration in increasingly difficult locations, including deeper beneath the seabed. Even in the most demanding conditions, Cargotec's offshore cranes help to supply deep-sea oil rigs with essentials such as tools and spare parts.

In addition to fossil fuels, natural reserves of certain metals are also diminishing. As a result, raw material exploration and the mining industry are concentrating in limited geographical areas. This is creating material flow hubs characterised by constant demand for Cargotec solutions.

As resources of raw materials critical to the functioning of society are diminishing, R&D relating to alternative materials is becoming more and more important.

Declining oil resources and rising oil prices are leading to a shift in energy production towards other fuels. This is reflected in offshore and wind power station investments, for example. Cargotec's solutions are ideal for the related installation work.

As the move to new energy sources continues, increasingly complex systems are being delivered to customers. This is due to factors such as the higher amount of electric and automation technology used. In this field, Cargotec's competitive edge is supported by its broad expertise, which enables it to deliver truly comprehensive solutions.

Anticipation is vital

Companies like Cargotec cannot afford to take their eyes off long-term price and availability forecasts for the raw materials, such as steel, they need for their products. Based on the signals, it is possible to steer research and development investments towards products based on alternative materials or components, for instance.

97 %

Did you know that almost all of the world's rare earth metals are produced in China.

Sustainable approach

For Cargotec, identifying and addressing the environmental impacts of its business is very important. The same applies to promoting health and safety.

The environmental impacts of Cargotec's operations, that is, its assembly units, service units and offices, are primarily local. Environmental impacts are also caused by business travel and material deliveries. However, Cargotec's operations have a relatively minor effect on global environmental problems.

Cargotec's supply chain and the use of its products represent the company's greatest indirect environmental impacts. As an industry leader, Cargotec strives to minimise these impacts through research and development aimed at creating environmentally friendly and energy efficient solutions.

In managing the environmental impacts of its operations, as well as in issues concerning quality, health and safety, Cargotec relies on its certified environmental, quality and safety systems. In addition, an environmental and occupational health monitoring system is in place, providing companywide key indicators.

Certified Cargotec units covered by the key indicator monitoring system in 2010, of 21 assembly units

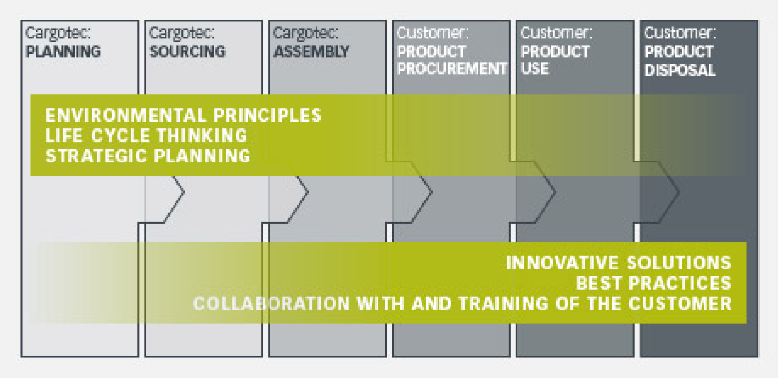
ISO 14001	ISO 9001	OHSAS 18001	KPI*
13	20	4	21

*KPI = Key performance indicators, Cargotec's monitoring system for environmental and occupational health

In the case of Cargotec's products, the greatest environmental impacts occur at the beginning and end of the value chain. Accordingly, Cargotec's environmental planning covers the entire life cycle of each product. Occupational health and safety form an integral part of planning work.

Environmental planning

The environmental load caused by our products is at its largest towards the end of the value chain. For this reason, our environmental planning covers the product's entire life cycle.



Environmental impact management helps prevent the impact of operations on

- soil
- water systems
- the atmosphere
- surrounding natural environment
- communities

Cargotec's environmental impact management focuses on

- internal transport
- direct and indirect energy use
- metal welding and cutting
- volatile organic compounds from painting
- seepage

Building operating systems for Cargotec's Polish assembly unit

In September 2010, Cargotec began production in its new multi-assembly unit in Stargard Szczeciński, Poland. Focusing on the assembly of a number of Cargotec cargo and load handling solutions, this unit represents the cutting edge in sustainable production technology, processes and quality.

During the one and a half years' time when the assembly unit was being designed and built, an integrated operating system was developed. This was ready for introduction upon the unit's completion. In practice, the system helps ensure the continuous execution and development of quality, environmental and occupational health and safety measures. In creating the system, Cargotec used the best practices employed in its other production facilities.

In November 2010, the operating system was awarded a certificate for compliance with the ISO 9001, ISO 14001 and OHSAS 18001 standards. In Cargotec's history, this was the first certification of an integrated operating system for compliance with three standards. ISO standards are the most commonly used worldwide. Such certification requires an inspection conducted by a third party to verify compliance with the standards in question. At the Polish assembly unit, a three-day audit was conducted by Lloyd's Register Quality Assurance.

"From the very outset, our goal was to have all aspects of the Polish assembly unit's operating system in order at the first attempt. This required attention to the latest developments in the field and to Cargotec's commitments, such as the Code of Conduct. The project team did a fantastic job on a very tight schedule," reports **Petri Palin**, Quality Director within Cargotec's supply organisation.

The production facility in Poland is Cargotec's most modern and energy efficient assembly unit.

Other key drivers of the new system were Cargotec's values and its commitment to create outstanding solutions for its customers. Cargotec had to present the auditors with tangible evidence of how quality, environmental and occupational health and safety related reporting, corrective action and continuous improvement are organised at the Polish plant.

Occupational safety, for example, is ensured by providing a spacious working environment. Training is provided to make sure that personnel comply with the certified systems and to ensure high-quality products.

A carbon dioxide neutral wood pellet heating solution forms one of the environmental innovations used at the assembly unit. Similarly, the waste water system was designed together with leading experts in the field, bearing ecological aspects in mind. Furthermore, alternative power generation methods are being explored. Because Stargard Szczeciński is located close to the Baltic Sea, prioritising the environment supports the commitment Cargotec made in 2010 to the Baltic Sea Action Group to promote the wellbeing of the Baltic Sea.

"In many ways, building an integrated operating system at the Polish facility was a highly positive project. However, there is always room for improvement. In addition to individual elements, we are making every effort to further develop the system as a whole," Petri Palin concludes.

Pro Future™ ecolabel

Cargotec's Pro Future™ marking is applied to Cargotec products that meet stringent criteria on energy efficiency, emissions and recyclability.

The Pro Future™ solutions allow customers to choose a more environmentally friendly alternative. Fulfilment and compliance with these criteria also help Cargotec to achieve its goals as a participant in the worldwide Clinton Global Initiative.

At the end of 2010, the Pro Future™ product family continued to grow, with the introduction of the world's first Kalmar terminal tractor to be based on hydraulic hybrid technology. Developed in cooperation with Singapore Technologies Kinetics Ltd and its subsidiary, Kinetics Drive Solutions Inc., the system provides on average 20% savings in fuel, as well as significant reductions in harmful nitrogen oxide emissions. Running on a hybrid system, this terminal tractor will first become available to customers in North America, whose urban areas and ports are under the greatest global pressure to cut emissions.

The Pro Future™ product range expanded with MacGregor MacRack, a fully electric hatch cover opening and closing system.

In 2010, the Pro Future™ product range also expanded with MacGregor MacRack, a fully electric hatch cover opening and closing system. In the same year, this product also won the International Bulk Journal's (IBJ) environment protection award.

In order to further develop the Pro Future™ criteria, Cargotec pursued its intensive research and development cooperation between different product lines. Closer attention was also paid to the impacts of equipment over its life cycle. A case in point is the hatch cover study conducted in the Marine business area. Its results will support the expansion and further development of the Pro Future™ criteria in 2011. The ultimate goal is to award the Pro Future™ label to all Cargotec equipment.

"When opting for a product that meets the Pro Future™ criteria, customers know they are making a more environmentally sound choice than with a more traditional machine. Cargotec wants to enable its customers to select features that meet their specific needs," explains Development Manager **Heikki Salonen.**

EcoService combines cost efficiency with environmental friendliness

Cargotec's new EcoService concept provides customers with new levels of cost efficiency, productivity and reliability. Flexible equipment maintenance, rapid spare part deliveries and effective operator training are just some of the service's contents.

"This new concept will bring major savings, both financially and in terms of environmental load," says **Jason Smith,** Director, Product & Concept Development.

Economical driving boosts productivity

Driving style has a major impact on fuel consumption, exhaust gas emissions and equipment wear or damage. Cargotec's Training Academy trains customers' own operators to adopt economical driving practices. A change in driving style can reduce fuel consumption by up to seven percent, while lowering emissions and increasing productivity.

During a two-day training session, the operator learns how to cut fuel consumption and emissions. Training covers areas such as economical driving and lifting techniques and interpreting the information provided by the display.

Cargotec's EcoService concept includes training in economical driving.

Cargotec's Training Academy offers courses in heavy-duty material handling operations – from ports and terminals to specialist industrial applications. For example, the training programme provides skills in handling terminal tractors, forklifts, loader cranes, reachstackers, and empty and loaded container handlers. The driving course can also be tailored to individual needs.

The customer can purchase an optional follow-up programme for maintaining the skills learnt during training.

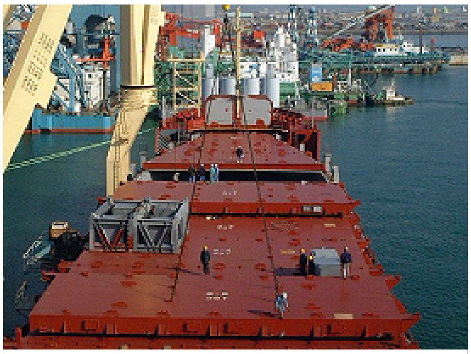
For estimating the financial savings from EcoDriving, a cost savings calculator is available on the Cargotec Training Academy website.

Identifying the lifecycle impacts of hatch covers

Inspired by plans to expand Cargotec's Pro Future™ criteria for environmentally friendly products, in 2010 the Marine business area began to assess the overall lifecycle impacts of hatch covers. Cargotec sought a detailed picture of which factors during product life cycles could be rationally developed from the company's sustainability perspective.

As part of the Innovation & Networks research programme of the Finnish Metals and Engineering Competence Cluster, the project was carried out in cooperation with the Lappeenranta University of Technology. It focused on studying the life cycle of hatch covers from the perspective of economic, social and environmental impacts. Cargotec wanted to develop a pioneering role in this little-researched area.

Cargotec provided the university with, for example, hatch cover manufacturing materials and information on energy consumption. A standard method was used to calculate the Global Warming Potential, that is, the amount of greenhouse gases generated over the entire product life cycle. Although Cargotec is only responsible for some stages of the product life cycle, the analysis covered the entire cycle "from cradle to grave".



Cargotec has explored the lifecycle impacts of hatch covers on the environment.

The results revealed that, while the manufacture of a hatch cover generates about 12 percent of greenhouse gas emissions across the product life cycle, its use generates only around six percent. More than 80 percent of these emissions are generated in the manufacture of materials, primarily steel. On the other hand, steel has the benefit of being fully recyclable when a vessel is decommissioned.

"We now know which part of the life cycle is most energy intensive and responsible for the lion's share of emissions. Without this information, there would be no rational basis for engaging in further development work. The study also showed that the manufacture of certain paints generated a relatively large amount of greenhouse gas emissions. Reassessing the use of such paints might be a future development area," says Product Development Engineer **Jouni Lehtinen.**

Cargotec's hatch cover design is strongly dependent on raw material manufacturers, customers and international legislation. Over a hatch cover's life cycle, the majority of environmental impacts are generated in processes fully beyond Cargotec's control.

From the sustainability perspective, Cargotec's product design should therefore focus on promoting the safety of cargo transportation and vessel personnel in particular. The results of the study identify four preliminary areas of sustainable development to which the hatch cover manufacturer should pay attention:

- Functionality
- Operational safety
- Materials
- Energy

Cargotec's plans for the near future include research into the operating safety of hatch covers, particularly those of next-generation control systems.

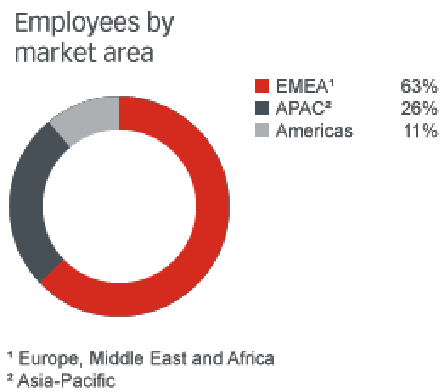
Employee engagement the foundation of human resources development

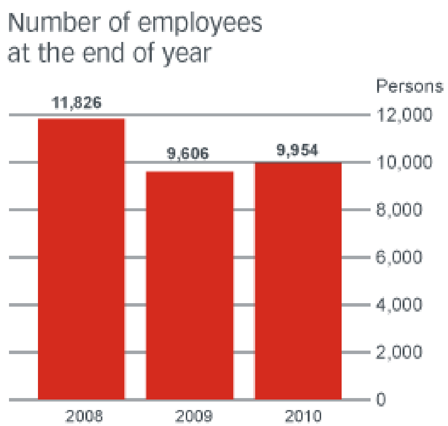
In 2010, Cargotec completed a number of major initiatives affecting employees. Actions taken during the year included development related to internal processes, competencies and the human resources (HR) strategy. A key priority was the implementation of Cargotec Compass, the first global employee survey in the company's history.

Personnel structure and changes in 2010

Adjustments and restructuring had a relatively small effect on employees. The need for personnel adjustment was highest in Finland. At the end of 2010, Cargotec had a total of 9,954 employees (2009: 9,606) with female employees representing 16 (2009: 16) percent and male employees 84 (2009: 84) percent. Part-time employees accounted for 2 (2009: 3) percent of personnel.

Cargotec is committed to complying with national and international laws and regulations, and to providing everyone with equal opportunities, both within the working community and in work-related practices and procedures. Cargotec respects freedom of association among employees. Cargotec's Code of conduct specifies what is expected of Cargotec employees in their daily work.





Human resources management and strategy in 2010

Cargotec refined its company strategy in 2010. Alongside the business strategy, the HR strategy was also re-examined. As a result, four focus areas were identified for the HR strategy:

- Leadership
- Talent management
- Competence development
- Execution capability

A strong focus on these priority areas will support the execution of the company's business strategy.

In 2010, Cargotec also focused on promoting common ways of working and processes across the organisation. At the moment, a consistent and efficient HR management process is being used in most of the country organisations. Under the global operating model, the primary source of support for employees is the HR function in the country in question.

Within the Marine business area, emphasis was placed throughout the year on the introduction of the global operating model. In addition, integration between different units continued. The Industrial & Terminal business area particularly focused on strengthening the organisational structure created in 2009 and on identifying synergies. Operational plans were laid for the centralised Research, Development and Engineering unit scheduled for launch in 2011. The Services business area began its integration into a globally centralised Services organisation.

Thanks to Cargotec's positive performance in 2010, large-scale adjustment measures could by and large be avoided. However, some difficult decisions had to be made in connection with organisational development. In Finland, employee reductions were necessary at the Tampere unit, where the current unit is to be converted into a competence and technology centre. Measures taken to promote the re-employment of affected employees include training opportunities and internal transfers.

Cargotec Compass: Towards better job satisfaction

One of the key priority areas in 2010 was Cargotec Compass, the first global employee survey in Cargotec's history. This electronic survey was addressed to the entire Cargotec personnel. In units where not all employees had access to a personal computer, the survey could be completed using a shared computer. The response rate was high: 75 percent of Cargotec employees responded.

The survey showed that overall job satisfaction was relatively high. However, a few areas in need of improvement were identified, including the flow of information, communicating changes and cooperation. Working together was identified as a key theme of further action to be taken under Cargotec Compass. The results were processed during 2010 and further action is ongoing.

Cargotec Compass provides a tool by which supervisors and management teams can improve operations in their units, develop management methods and promote well-being at work. The entire personnel is given the opportunity to become involved in planning development actions in their own units. Follow-up of such measures will be a priority area in 2011. The next global employee survey will be conducted in 2012.

Good leadership and competent personnel guarantee success

Human resources and competence development proceeded favourably in 2010. In addition to several practical measures, development projects for 2011 were planned.

Cargotec's annual Management Review was conducted with a greater emphasis than before. This process involves an assessment of managers and key experts, and successor planning in cooperation with management teams. Management Review allows the company to identify talent and future leaders in the organisation, and to assess the needs of different business and market areas.

Cargotec's performance and development discussions were extended to cover more employees: this process was conducted in almost all personnel groups, in a total of 60 locations in 19 countries. A performance and development discussion process, based on identified needs, was specifically designed for supply personnel and its broad introduction is scheduled for 2011.

In 2010, Cargotec values were included in performance and development discussions. Values were also discussed in value workshops arranged during the year. New workshops will be held in the future, in various Cargotec locations across the world. Value discussions are also part of the Cargotec Experience induction programme.

Cargotec has developed effective ways of deploying its values in practice, one of these being the Cargotec Leadership Profile. This defines critical competence areas in leadership and explains what good value based leadership in Cargotec means. The profile contains the key competences required for strategic, operative, change and employee leadership. It will be used for a wide range of leadership assessment and development purposes, in 360° leadership assessments and for recruitment purposes.

Human resources and competence development in 2010

The Managerial Finance training programme continued in 2010. This programme covers 50 managers with profit responsibility and is designed to improve their ability to assess the impacts of decision-making on company finances and performance. Programmes with smaller coverage were arranged for the management of the Marine business area in Norway, Singapore and China.

One of the major innovations introduced in Cargotec was the mentoring programme launched during 2010. This programme attracted a great deal of interest, mentors with high motivation and the drive to help others being selected from a large group of candidates. The compatibility of the development needs of those to be mentored and the specific strengths of the mentors were the key criteria for determining the best fit. Some 25 pairs were formed from the candidates. The programme, which will continue until early 2011, is designed to support the development of the mentee's leadership skills. It should also offer both parties the opportunity to learn more about Cargotec across business area boundaries.

Cargotec rewards good performances

Cargotec rewards its employees through various incentive systems. In 2010, the introduction of a global and comprehensive rewarding and incentive system continued. To harmonise operating methods, pay rises were simultaneously implemented in all Cargotec country organisations.

Cargotec has a top management incentive plan which defines both short- and long-term targets. This incentive plan consists of a long-term, share-based incentive programme 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 2010, salaries and remunerations to employees totalled EUR 364 million (2009: EUR 351 million).

Involvement through cooperation

Making decisions through consultation with employees, in both easy and difficult situations, is the Cargotec way. Based on statutory employee information and consultation requirements, Cargotec's employee cooperation system has been developed together with employees. At Cargotec, cooperation has been organised at corporate and location level. At the company's various locations, cooperation is carried out as provided for in national legislation.

In Europe, the corporate cooperation forum is the Cargotec Personnel Meeting, attended by 18 employee representatives from 13 countries in 2010. Other forums include the Cooperation Committee in Finland and the Corporate Information Committee in Sweden. These forums, convening on an annual basis, are joint meetings for employees and management. In 2010, constructive discussions were conducted at these meetings.

Occupational health and safety an integral part of Cargotec's way of working

Cargotec has the basic obligation of ensuring that everyone can work in safe working conditions. Cargotec's occupational health and safety management is based on the company's Code of conduct, risk management and safety policies, as well as the units' own occupational health and safety management systems. The objective is to apply preventive measures in order to reduce the number of industrial injuries.

According to Cargotec's Code of conduct, employees are responsible for protecting themselves and their coworkers, workplace, community and environment. The Code also specifies that everyone must take action to prevent damage or injuries and report any deficiencies to occupational health and safety.

In 2010, efforts continued to build an OHSAS 18001 compliant occupational health and safety system in different Cargotec units in Finland and other countries. The multi-assembly unit in Poland, which launched production in September, was awarded a certificate for compliance with the OHSAS 18001 standard at the end of the year. This made it the fourth Cargotec supply unit to meet the standard's requirements.

In 2010, almost all supply units reported occupational health and safety indicators. Extension of the system to service units was tested in pilot locations. These indicators provide useful information on Cargotec's occupational health and safety situation on unit and corporate level. The system is used to analyse the causes of accidents, accident frequency and corrective action. Efforts to develop and share best safety practices between units continue.

Goals for 2011

A key objective for 2011 lies in promoting the priority areas specified in the HR strategy.

Cargotec wants to ensure that it has skilled and competent employees in all locations worldwide. In the growing Asian markets in particular, Cargotec is competing for the best talent. To succeed in this competition, the company relies on its harmonised recruitment process defined in 2010. Similarly, every attempt is being made to expand the assessment process used for the Management Review to better identify the talent and potential of existing personnel. Additional personnel support is being provided, naming HR managers for countries into which Cargotec has expanded its operations.

The action plans derived for each team, based on the results of the Cargotec Compass employee survey in 2010, will be closely monitored, for instance with a follow-up survey to be conducted among personnel in April 2011. Other key objectives include the introduction of the Cargotec Leadership Profile and improving the ability of line managers to conduct performance and development discussions.

Attention will be paid to expanding global training opportunities, while efforts are made to arrange training in a wide array of competence areas. Training programmes designed in 2010 will be implemented and new training programmes devised. Measures to enhance organisational development include more effective internal communications and support for processes aimed at harmonising operations.

Throughout the year, an emphasis will be placed on Cargotec's value of working together across the whole organisation.

Working together

Working together is one of Cargotec's core values. Cargotec's personnel works as teams with the common goal of improving the efficiency of cargo flows. We work closely with our customers and partners across language, cultural and professional barriers in an atmosphere of mutual respect.

Eduardo from Spain

"You must be 'Mr. Crane'," a colleague recently said to **Eduardo Calejero.**
Read more

Dushyant from Dubai

Dushyant Puthran, a Service Engineer in Cargotec's Hiab team based in Dubai, has busy days at work. But he does not mind.
Read more

Angel from China

When asked what makes work at Cargotec so rewarding, **Angel Yang** does not have to think twice: "I have learnt a great deal from my job, and there is always something new to learn."
Read more

A story about mentoring

In 2010, Cargotec launched a mentoring programme, with participants from all over the world. One of the 25 pairs participating is **Eduardo Prat** from Spain and **Ganesan Natarajan** from India.
Read more

Motivation from a multicultural working community

Eduardo Calejero
Job title: Vice President After Sales Technical Support, Truck-Mounted Equipment division
Location: Zaragoza, Spain

Eduardo Calajero has enjoyed being part of Cargotec's multinational w ork community since 1993.

"You must be ‘Mr. Crane'," a colleague recently said to Eduardo Calejero, by ‘Mr. Crane' meaning the person to whom customers turn for an opinion they value. Eduardo thinks this applies to the entire Cargotec team.

"You could replace ‘Crane' with ‘Forklift', ‘Reachstacker', ‘Terminal tractor', ‘Demountable' , or ‘Ship-to-Shore Crane'. We think of customers as colleagues in the same industry, or as friends," Eduardo explains.

The Truck-Mounted Equipment division covers a wide range of products and applications, such as loader cranes and demountables. On a daily basis, Eduardo and his team are responsible for various issues related to after sales technical support. Their work includes analysing any problems customers have encountered, and proactive quality improvement.

"After sales is challenging and interesting due to the diversity of product use and users."

In Eduardo's opinion, successful performance requires a commitment to teamwork, the ability to get along with people and an analytical mindset.

Eduardo joined Cargotec in 1993 as a Hiab after sales engineer. His 17 years at Cargotec have included several roles, such as regional manager, sales manager, and head of several departments. Eduardo finds the challenging assignments and the working community the most motivating features of Cargotec. The best thing about his job is definitely people.

"I am part of an excellent multinational and multicultural team, in which working together is called for every day. Through close cooperation, our job offers us the opportunity to become better acquainted with a certain customer, market area, multi-assembly unit or design engineering department."

A service engineer and a team player

Dushyant Puthran
Job title: Service Engineer
Location: Dubai, United Arab Emirates

Dushyant Puthran, a Service Engineer in Cargotec's Hiab team based in Dubai, has busy days at work. But he does not mind.


Dushyant Puthran supervises the daily operations of the Hiab service centre in Dubai.

"I achieve better results when I have plenty to do. And for me, good results equal job satisfaction."

He is indeed achieving good results – according to Dushyant, customers have been highly satisfied with the services offered by Cargotec. He also says that Cargotec has become popular in the markets.

"I hope that we will soon become the market leader in my region," Dushyant says.

Under the leadership of his own managers, Dushyant's job is to supervise the daily operations of the Dubai service centre specialising in Hiab solutions. His daily duties include monitoring the costs and efficiency of installation and service operations, preparing production reports, suggesting improvements regarding service centres, and providing operating and maintenance training to customers.

Although the Dubai-based team specialising in load handling is new, it is steadily growing. At the moment, there are eleven team members. Dushyant allocates assignments to his team and makes sure resources are used with maximum efficiency. He is convinced that a work community with no conflicts guarantees good results and job satisfaction. If there are problems, they are discussed openly and solved together.

"We are good listeners," Dushyant points out.

In his opinion, team members depend on each other. Through its strong working community, Cargotec is able to meet demands placed on quality, costs, equipment deliveries and responses to service requests.

"We are an excellent team of engineers and other employees with great teamworking skills supporting each other. All my colleagues are friendly and helpful. That is the best thing about my job."

Even the soaring Dubai temperatures with over 40 Celsius degrees do not discourage Dushyant. He feels that Cargotec is a one-of-a-kind employer because it cares about its people, and rewards and appreciates them.

Working hard to serve customers

Angel Yang
Job title: Supervisor, Spare Parts Sales, Marine Service
Location: Shanghai, China

When asked what makes work at Cargotec so rewarding, Angel does not have to think twice:

There's always something new to learn in Angel Yang's job.

"I have learnt a great deal from my job, and there is always something new to learn. The best thing is good teamwork. We all work together to provide the best products and service for the customers."

Employed by Cargotec for over nine years, Angel is responsible for spare parts sales in the Marine business area's service unit in Shanghai, China. The customer base includes local operators as well as international ship operators carrying cargo in Asia and making stops in Chinese ports. Angel coordinates with other Cargotec branches to guarantee a quick reply to customer requests.

"Every morning, I check the data system to see if there are any new queries. Based on queries, I prepare an offer for the customer; after the offer is approved, I place an order for the spare part. It is my duty to make sure that the part is delivered to the customer. I am also responsible for invoicing," Angel explains.

Work is not always quite that straightforward. Customers often approach Angel with complicated questions on issues such as product features.

"I have to find an answer to their questions. If I cannot solve the problem myself, I can get help from colleagues, who may be based in Finland or Sweden. They always reply quickly."

Angel is also delighted to have been given the opportunity to upgrade her technical competence in Cargotec. She has learned a great deal in spare parts training sessions and in discussions with service engineers.

"China is a huge market and competition is tough. Working together with other Cargotec units helps maintain the high quality of our products, while our customers get first-class services," Angel sums up.

A win-win situation

Eduardo Prat
Job title: Area Director, South EMEA - Managing Director Cargotec Iberia, S.A
Location: Madrid, Spain

Ganesan Natarajan
Job title: Regional After Sales Manager, Middle East and North Africa
Location: Dubai, United Arab Emirates

In 2010, Cargotec launched a mentoring programme, with participants from all over the world. One of the 25 pairs participating is Eduardo Prat from Spain and Ganesan Natarajan from India.

Eduardo Prat and Ganesan Natarajan have developed their skills as a mentor pair.

With a long track record and a vast amount of knowledge and skills in various sectors of industry, Eduardo is acting as the mentor. But there is no hierarchical separation between mentor and mentee – quite the opposite. Both men have had much to offer each other.

"I signed up to the programme because I am approaching seniority, both in terms of work experience and age. I thought this would be a great opportunity to share my experiences with others. Ganesan has shared his work experiences and history with me and provided an opportunity to learn more about another culture. We also compared our experiences of Cargotec, as we are both relatively new to the company," Eduardo explains.

The opportunity for personal and professional development inspired Ganesan to join the programme. He was thrilled to be mentored by an experienced executive from the other side of the world. The programme was a real eye-opener for Ganesan.

"When I visited Eduardo in Madrid, I realised there's another way of seeing things. It was exciting to see how Cargotec worked as one company in Spain."

The goal of the mentoring programme is to offer both mentor and mentoree an opportunity for professional development and to acquire a broad spectrum of business skills and knowledge. The key objective is to foster a corporate culture of one Cargotec.

"Our conversations convinced me that Cargotec truly does have shared values, vision, and strategy worldwide," Ganesan points out.

When visiting Eduardo in Spain, Ganesan made effective use of the time available. In the breaks between discussions concerning Cargotec's future, he took an active part in the daily operations of the Madrid unit. Ganesan plans to spread the knowledge and skills he gained to Cargotec's unit in Dubai.

The official closing of the mentoring programme is in spring 2011. Before that, Eduardo will visit Dubai and learn about the work of Ganesan's team on the spot. The men have no intention of ending their communication after the programme.

"Ganesan is very professional, hard-working and enthusiastic. We have formed a good relationship and intend to keep in touch in the future," Eduardo says.

UN Global Compact

Cargotec 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 below lists the ten principles of the UN Global Compact. Information on how these principles are addressed in Cargotec can be found in this Annual Report as well as on the company website.

Human rights

Principle 1
Businesses should support and respect the protection of internationally proclaimed human rights.

Principle 2
Businesses should make sure that they are not complicit in human rights abuses.

Labour standards

Principle 3
Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Principle 4
Businesses should uphold the elimination of all forms of forced and compulsory labour.

Principle 5
Businesses should uphold the effective abolition of child labour.

Principle 6
Businesses should uphold the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7
Businesses should support a precautionary approach to environmental challenges.

Principle 8
Businesses should undertake initiatives to promote greater environmental responsibility.

Principle 9
Businesses should encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

Principle 10
Businesses should work against corruption in all its forms, including extortion and bribery.

Corporate governance

Cargotec'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 is a public limited liability company and its Class B shares are listed on the NASDAQ OMX Helsinki.

The company's 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 Ltd. Cargotec complies without exceptions with the Finnish Corporate Governance Code of listed companies.

Corporate governance statement 2010

Cargotec's 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 Ltd. Cargotec complies without exceptions with the Finnish Corporate Governance Code 2010 available on the Securities Market Association's website at www.cgfinland.fi. Cargotec'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.

This statement is issued as a separate report and disclosed, together with the financial statements, Board of Directors' Report and the remuneration statement, on the company website at www.cargotec.com. The same information is included in the Annual Report for 2010.

Shareholders' Meeting

The Shareholders' Meeting is convened by the Board of Directors. The Annual General Meeting (AGM) is held annually, within three months of 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 adoption of the financial statements, distribution of profit, 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, amendments to the Articles of Association and other matters to be addressed at the Shareholders' Meeting under the Limited Liability Companies Act and the Articles of Association.

The notice of the Shareholders' Meeting is published on Cargotec's website and in at least two daily newspapers, decided upon by the Board, appearing in the Helsinki region. This notice specifies the matters to be considered by the meeting as well as the proposals made by the Board and the Board Committees to the meeting. 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 10 percent 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, the President and CEO and the auditor 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.

The AGM held in Helsinki on 5 March 2010 was attended by 406 shareholders representing 79 percent of the total voting rights of the company. In addition to decisions taken on an annual basis, the AGM decided on an option programme and authorised the Board of Directors to decide on the acquisition of the company's own shares, as well as on a share issue involving the transfer of treasury shares. All documents related to the AGM are available on the company website at www.cargotec.com/investors.

At the end of 2010, the company had approximately 17,000 shareholders. Cargotec's largest shareholders on 31 December 2010 are listed in the Shares and shareholders section of the financial statements, and a list updated every month is available on the company website at www.cargotec.com/investors.

Shareholder rights

Cargotec has two share classes, each with different voting rights. In the Shareholders' Meeting, each class A share carries one vote, as does each set of ten class B shares, with the provision that each shareholder is entitled to at least one vote.

Shareholders have the right to attend the Shareholders' Meeting if they have been entered into the register of shareholders at least eight working days before the meeting and if they have declared to the company their intention to attend in the manner specified in the notice of the Shareholders' Meeting. Holders of nominee-registered shares can also attend the Shareholders' Meeting by registering themselves in the register of shareholders on a temporary basis. A shareholder can attend the Shareholders' Meeting either in person, or via a representative authorised by the shareholder.

Shareholders have the right to raise issues under the purview of the Shareholders' Meeting for consideration by the Meeting, if they so request in a written notification to the Board in good time for the matter to be included in the notice of the Shareholders' Meeting. The date, by which Cargotec's Board of Directors must be notified of matters to be considered at the Shareholders' Meeting, is published annually on the company website at www.cargotec.com/investors.

In the Shareholders' Meeting, all shareholders have the right to raise questions and propose resolutions regarding issues on the agenda.

Shareholders registered in Cargotec's shareholder register on the record date of the dividend payment are entitled to a dividend. In dividend distribution, class B shares earn a higher dividend than class A shares. The difference between dividends paid on the two classes of shares is a minimum of one (1) cent and a maximum of two and a half (2.5) cents.

Board of Directors

Cargotec's Board of Directors 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 by the AGM for a term of office that expires at the end of the first AGM following their election. The Board elects the Chairman and Vice Chairman from among its members. The majority of Board members shall be independent of the company and significant shareholders. In 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 to eight 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 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 determines 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.

In the AGM of 2010, the following were re-elected as members of the Board:

Tapio Hakakari (b. 1953), LL.M
Ilkka Herlin (b. 1959), Ph.D.
Peter Immonen (b. 1959), M.Sc. (Econ.)
Karri Kaitue (b. 1964), LL.Lic.
Antti Lagerroos (b. 1945), LL. Lic.
Anja Silvennoinen (b. 1960), M.Sc. (Eng.), MBA

As a new member was elected:

Teuvo Salminen (b. 1954), M.Sc. (Econ.)

The Board elected Ilkka Herlin as Chairman of the Board and Tapio Hakakari as Vice Chairman. **Outi Aaltonen**, Senior Vice President, General Counsel, was appointed Secretary to the Board of Directors.

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. The members of the Board are independent of the company and, with the exception of Ilkka Herlin and Peter Immonen, also independent of significant shareholders in the company. Ilkka Herlin, Chairman of the Board, is one of the largest owners of Cargotec through the company Wipunen varainhallinta oy controlled by him, holding over 20 percent of the votes and over 10 percent of the shares of the company. He is also a Board member in two major shareholder companies, Mariatorp Oy and D-sijoitus Oy. Peter Immonen is a Board member of Wipunen varainhallinta oy and Mariatorp Oy.

Member attendance in board meetings in 2010

Board member	Attendance
Ilkka Herlin	8/8
Tapio Hakakari	8/8
Teuvo Salminen*	6/7
Antti Lagerroos	8/8
Karri Kaitue	8/8
Anja Silvennoinen	8/8
Peter Immonen	8/8

* Member of the Board as of 5 March 2010

Board Committees

The Board has set up two committees to improve the efficiency of board work: the Audit Committee and the Nomination and Compensation Committee. The Board nominates 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 Audit Committee's duty is to supervise the financial reporting executed by the management, and to monitor the financial statement and interim reporting process. The Audit Committee supervises the adequacy and appropriateness of the company's internal control, internal audit and risk management in accordance with its charter, and handles internal audit plans and reports. Furthermore, the Committee prepares a proposal to the AGM regarding the election and fees of the external auditor, defines and monitors the non-audit services performed by the auditing firm to ensure the auditor's independence, and supervises the statutory audit of financial statements and consolidated financial statements. The Committee also reviews the Corporate governance statement. The Audit Committee's charter was last updated in autumn 2010.

Audit Committee meetings are attended by Committee members, the secretary to the Committee, the company's Director of Internal Audit, the President and CEO, and the representatives of the auditing firm. If the matters to be dealt with so require, the Committee convenes without the presence of the company's management.

The Audit Committee consists of a minimum of three Board members. In 2010, **Teuvo Salminen** acted as chairman of the Audit Committee (as of 5 March 2010), while **Ilkka Herlin, Karri Kaitue** (chairman until 5 March 2010) and **Anja Silvennoinen** 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.

Nomination and Compensation Committee

The Nomination and Compensation Committee's duty 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 people reporting primarily to members of the Executive Board. The Nomination and Compensation Committee confirms the target group and considers, principally once a year, their salary adjustments, bonus principles, bonuses earned and successor planning. Furthermore, the committee's tasks include preparing and presenting to the Board stock option, share, and other employee incentive programmes, as well as 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. In 2010, Ilkka Herlin acted as chairman of the Nomination and Compensation Committee, while **Tapio Hakakari, Peter Immonen** and **Antti Lagerroos** acted as members of the Committee. Committee members are independent of the company.

Member attendance in Board Committee meetings in 2010

Board member	Audit Committee	Nomination and Compensation Committee
Ilkka Herlin	5/5	6/7
Tapio Hakakari		7/7
Teuvo Salminen*	4/4	
Antti Lagerroos		7/7
Karri Kaitue	5/5	
Anja Silvennoinen	5/5	
Peter Immonen		7/7

* Member of the Board as of 5 March 2010

President and CEO

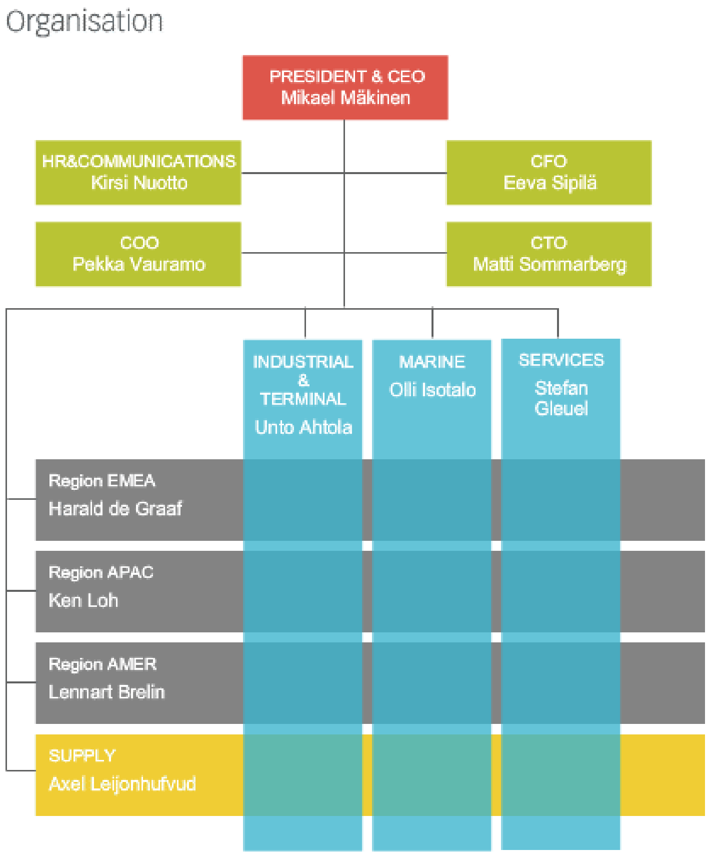
The Board appoints Cargotec's President and CEO and determines the related terms of employment. **Mikael Mäkinen** (b. 1956), M.Sc. (Eng.), has been Cargotec's President and CEO since 2006. The President and CEO is responsible for ensuring that the targets, plans, guidelines and goals set by the Board are carried out within Cargotec. He or she also ensures that the accounting practices of the company comply with the law and that financial matters are handled in a reliable manner. The employment terms of the President and CEO are defined in a written employment contract. **Pekka Vauramo** (b. 1957), Chief Operating Officer, M. Sc. (Eng.), acts as Deputy to CEO.

Executive Board

Supporting the President and CEO in his duties, the Executive Board is responsible for business development and the company's operational activities in accordance with targets set by the Board of Directors and the CEO. The Executive Board also defines operative principles and procedures in accordance with guidelines set by the Board. The Executive Board convenes every month and whenever necessary. President and CEO **Mikael Mäkinen** acts as the chairman of the Executive Board.

In spring 2010, Cargotec's business was reorganised into three operative business areas and three regions, and **Pekka Vauramo** was appointed Chief Operating Officer in charge of those. In financial reporting, the business areas and regions form two reporting segments: Industrial & Terminal and Marine.

Click on the names in the organisation chart to see the CVs of Executive Board members.



Insiders

Cargotec applies the insider guidelines of NASDAQ OMX Helsinki Ltd, in addition to which Cargotec's Board has approved internal insider guidelines that are based on the OMX 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 and the auditors and, by definition of the company, the members of the Executive Board. The company's permanent company-specific group of insiders includes people employed by the company and people who work for the company under a contract, and who, due to their duties, have regular access to insider information. People who, on the basis of an employment or other contract, work for the company and obtain insider information associated with a specific project, are entered in the company's project-specific insider register, which is established when necessary.

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 (closed window). 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. The company maintains its insider registers in Euroclear Finland Oy's SIRE system.

Updated every trading day, information in the public insider register is available on the company website at www.cargotec.com/investors.

External audit

The statutory external audit for the financial period includes auditing of accounting records, financial statements, and administration. In addition to the auditor's report issued annually, the auditors report to the Board on their audit findings on a regular basis. Cargotec's financial period is the calendar year. According to the Articles of Association, the company has at least one and a maximum of three auditors. The auditors must be public accountants authorised by the Central Chamber of Commerce. They 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, 1 June 2005. The AGM of 5 March 2010 elected Authorised Public Accountants **Johan Kronberg** and PricewaterhouseCoopers Oy as Cargotec's auditors, in accordance with a proposal by the Audit Committee. PricewaterhouseCoopers nominated Authorised Public Accountant **Jouko Malinen** as its principal auditor. Auditors' fees are compensated against an invoice.

Fees paid to auditors

MEUR	2010	2009
Group companies' audit fees	2.7	2.4
Non-audit services	1.4	1.4

Main features of the internal control and risk management pertaining to the financial reporting process

Cargotec compiles its financial reporting in accordance with the International Financial Reporting Standards (IFRS), the Finnish Securities Markets Act, the Finnish Accounting Act and the Finnish Accounting Board's guidelines and statements, while complying with the standards of the Financial Supervisory Authority (FIN-FSA) and the rules of NASDAQ OMX Helsinki Ltd. The internal control and risk management principles, guidelines, practices and responsibilities pertaining to the company's financial reporting process, have been designed to ensure that the financial reports disclosed by Cargotec are reliable and meet the requirements of the law, regulations and company policies.

Internal control

The objective of Cargotec's internal control is to ensure that its operations are efficient and profitable, its risk management is adequate and appropriate, and that financial and other information produced is reliable. Cargotec's internal control is based on its values and the Code of conduct. With respect to the financial reporting process, these are supported by Cargotec's policies and guidelines as well as its clearly defined internal financial reporting process and communication. Cargotec's Internal control policy, which is approved by the Board of Directors, specifies the applicable control principles, procedures and responsibilities. Similarly to other Cargotec operations, responsibility for the internal control is divided in financial reporting into three tiers. Line management is primarily responsible for internal control. It is backed up by corporate support functions, which define instructions applicable across the company 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.

The Internal Audit function operates separately from the operative organisation and reports to the Board Audit Committee and, administratively, to the President and CEO. Cargotec's Internal Audit audits the operations of major subsidiaries and business units on a regular basis. The purpose of such audits is to assess the effectiveness of internal control and risk management as well as compliance with operating principles and guidelines. Furthermore, Internal Audit audits and assesses financial reporting processes and compliance with related control measures in Cargotec units. It regularly reports on its findings and audit activities to the company management and the Board Audit Committee.

Internal control objectives are taken into account in all company development projects. In 2010, Cargotec introduced an Authorisation policy applicable in different parts of the organisation and to responsible persons. During the year, efforts towards process harmonisation and development continued. Ensuring the fulfilment of internal control objectives is a key element in this process development.

Risk management

In Cargotec, risk management is part of internal control operations. Approved by the Board of Directors and based on Cargotec values, the Risk management policy specifies the objectives and principles of the risk management as well as the responsibilities involved. A core principle is continuous, systematic and preventive action taken to identify risks, define the company's risk appetite, assess and handle risks and, if they materialise, to deal with them effectively. The 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. Cargotec's risk management is spread across units and corporate support functions that assign responsibility for risk management and are in charge of identifying, managing and reporting risks. 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.

Cargotec's Risk management policy was updated during 2010 to match the company's current operating model. In addition, risk management reporting has been specified in more detail to support active risk monitoring.

Financial reporting process

The effectiveness of internal control measures related to financial reporting is monitored by the Board of Directors, the Audit Committee, the President and CEO, the Executive Board and operative management teams. Various control measures, such as reconciliations, logic analyses and comparative analyses, are performed at different organisational levels. The purpose of these control measures is to detect, prevent and correct any errors and deviations in financial follow-up.

Cargotec's financial reporting is based on monthly performance monitoring on different organisational levels. Reporting schedules and the centralised reporting system have been designed to support the organisation's operative matrix. Financial reports are first reviewed at reporting unit level, then in the review meetings of the operative management team in charge of production, market region and business area, and finally at the Executive Board's review meeting. Financial information is also reported to the Board of Directors on a monthly basis. Controllers report any deviations from the plans to the management teams, analyse the reasons for such deviations and support the management in decision-making. Monthly reviews also ensure that performance is in line with annual targets and financial forecasts are up to date.

The financial reporting and planning instructions (Cargotec accounting standards and Cargotec reporting manual) are available to all employees on Cargotec's intranet. The company's financial administration aims to harmonise the practices and procedures applied by controllers, while ensuring the consistent interpretation of instructions and further improving them.

Instructions on the disclosure of financial information and on external communications are included in the Cargotec disclosure policy approved by the Board of Directors. This policy is available on Cargotec's intranet and on the company website at www.cargotec.com/investors. Together with Corporate Communications, Investor Relations are responsible for keeping the policy up to date and for supervising compliance.

In 2010, Cargotec took determined action to harmonise the financial reporting. In support of these efforts, Cargotec introduced a centralised corporate reporting function and a reporting model, according to which controllers report to financial management instead of business management. A priority in finance function's development work was building a financial information monitoring model as part of the ongoing ERP development project. The objective of the system development project is to reduce the number of financial administration systems and to improve efficiency.

Cargotec's bookkeeping in Finland and Sweden was transferred to a shared service centre. Improving the efficiency of this centre and establishing its operations was a priority in 2010.

In 2010, Cargotec subsidiaries conducted a self-assessment of risk points and control measures in the financial reporting process, and prepared a development plan on the basis of the key risks and control objectives specified in the previous year. Risk points were identified across the entire chain, from the subsidiaries' reporting processes to Group accounting. On the basis of these, the processes were or will be supplemented with approval procedures, reconciliations, segregation of duties pertaining to the operational chains involved in bookkeeping, as well as analysis of financial information in order to discover errors. In the future, such an assessment will be conducted and reviewed annually as part of the external and internal audit processes. The results of the assessments will also be used for upgrading internal instructions and procedures.

Members of the Board of Directors

Ilkka Herlin

Chairman

b. 1959, Finnish, Ph.D.

Member and Chairman of the Board since 2005
Chairman of Nomination and Compensation Committee
Member of Audit Committee

Independent of the company, significant shareholder (Wipunen varainhallinta oy), dependent of significant shareholders (Member of the Board of D-Sijoitus Oy and Mariatorp Oy).

Managing Director, Security Trading Oy 1987–2000
Member of the Board, KONE Corporation 1990–2000

Chairman of the Board: Wipunen varainhallinta oy, Foundation for a Living Baltic Sea, Finnish-Chinese Trade Association
Member of the Board: D-sijoitus Oy, Mariatorp Oy, WIP Asset Management Ltd, Finnish Foundation for Share Promotion
Other: Clinton Global Initiative, member

Cargotec shares 31 December 2010:
2,940,067 class A shares and 4,802,011 class B shares

Tapio Hakakari

Vice Chairman

b. 1953, Finnish, LL.M.

Member of the Board since 2005
Vice Chairman since 2009
Member of Nomination and Compensation Committee

Independent of the company and of significant shareholders

Director, Secretary to the Board, KONE Corporation 1998–2006
Director Administration, KCI Konecranes Plc 1994–1998
Employed by KONE Corporation 1983–1994

Chairman of the Board: Enfo Oyj
Member of the Board: Etteplan Oyj, Martela Oyj, Hollming Oy

Cargotec shares 31 December 2010:
154,264 class B shares

Teuvo Salminen
b. 1954, Finnish, M.Sc. (Econ.)

Member of the Board since 2010
Chairman of the Audit Committee

Independent of the company and of significant shareholders

Advisor, CapMan Plc 2010–
Employed by Pöyry Plc 1985–2009:
Group Executive Vice President, Deputy to the President and CEO 1999–2009
Head of Infrastructure & Environment Business Group 1998–2000
Head of Construction Business Group 1997–1998

Chairman of the Board: Havator Oy, Holiday Club Resorts Oy
Vice Chairman of the Board: CapMan Plc
Member of the Board: Evli Bank Plc, Glaston Corporation, Tieto Corporation

Cargotec shares 31 December 2010:
2,240 class B shares

Antti Lagerroos
b. 1945, Finnish, LL.Lic.

Member of the Board since 2008
Member of Nomination and Compensation Committee

Independent of the company and of significant shareholders

President & CEO, Finnlines Plc 1990–2007
Executive President, Nokia Mobile Phones 1989–1990
Member of the Board, Nokia Corporation 1986–1990, Member of the Operating Board 1984–1986
President, Salora–Luxor Division 1984–1986
Chairman & CEO, Salora Oy 1981–1984

Chairman of the Board: Wärtsilä Corporation

Cargotec shares 31 December 2010:
1,006 class B shares

Karri Kaitue
b. 1964, Finnish, LL.Lic.

Member of the Board since 2005
Member of Audit Committee

Independent of the company and of significant shareholders

Employed by the Outokumpu Group 1990–:
Deputy Chief Executive Officer and Vice Chairman of the Group Executive Committee, Outokumpu Oyj 2005–, Executive Vice President – Strategy and Business Development 2004 and Member of the Group Executive Committee 2002–
Executive Vice President and Member of the Executive Committee, AvestaPolarit Oy (former AvestaPolarit Oyj Abp) 2001–2004
Senior Vice President – Corporate General Counsel, Outokumpu Oyj 1998–2001
Assistant Vice President – Corporate Counsel, Outokumpu Group (USA) 1996–1998

Chairman of the Board: Destia Ltd
Vice Chairman of the Board: Outotec Oyj

Cargotec shares 31 December 2010:
1,006 class B shares

Anja Silvennoinen
b. 1960, Finnish, M.Sc. (Eng.), MBA

Member of the Board since 2009
Member of Audit Committee

Independent of the company and of significant shareholders

Senior Vice President, Energy Business Area, Energy and Pulp Business Group, UPM-Kymmene Oyj 2004–
Employed by Electrowatt-Ekono Oy (part of the Pöyry Group) 2000–2004
Industrial Counsellor, Ministry of Trade and Industry, Finland 1998–2000
Employed by Kymppivoima Oy 1995–1998
Senior Consultant, Ekono Energy Oy 1989–1995
Technical Manager, Sheffield Heat and Power Ltd, UK 1990–1993

Chairman of the Board: PVO-Vesivoima Oy
Member of the Board: Fingrid Oyj
Member of the Supervisory Board: Kemijoki Oy
Other: Member of National Emergency Supply Council

Cargotec shares 31 December 2010:
1,006 class B shares

Peter Immonen
b. 1959, Finnish, M.SC. (Econ.)

Member of the Board since 2005
Member of Nomination and Compensation Committee

Independent of the company, dependent of significant shareholders (Member of the Board of Wipunen varainhallinta oy and Mariatorp Oy).

Chairman of the Board, WIP Asset Management Oy 1995–2001 and 2005–, managing director 2002–2005

Deputy Chairman of the Board: Foundation for a Living Baltic Sea
Member of the Board: Mariatorp Oy, Wipunen varainhallinta oy,
Finnish Shareholders Association, Nordic Growth Oy

Cargotec shares 31 December 2010:
61,006 class B shares

Executive Board members

Mikael Mäkinen
President and CEO
b. 1956, Finnish, M.Sc. (Eng.) Nav. Arch.

Employed by Cargotec, President and CEO and Chairman of the Executive Board since 2006

Employed by Wärtsilä 1982–2006:
Deputy to President and CEO 2005–2006
Group Vice President, Ship Power 1999–2006
Managing Director, Wärtsilä NSD Singapore 1997–1998
Vice President, Marine, Wärtsilä SACM Diesel, 1992–1997

Chairman of the Board: Finpro
Member of the Board: Stora Enso Oyj, Lemminkäinen Corporation, The Federation of Finnish Technology Industries

Cargotec shares 31 December 2010:
in direct ownership 13,820 class B shares,
through Moving Cargo Oy 226,694 class B shares

Pekka Vauramo
Chief Operating Officer (COO), Deputy to CEO
b.1957, Finnish, M.Sc. (Mining)

Employed by Cargotec and member of the Executive Board since 2007
Deputy to CEO since 2008

Senior Executive Vice President, Industrial & Terminal 2009–2010
President, Kalmar business area 2007–2009
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

Cargotec shares 31 December 2010:
in direct ownership 1,410 class B shares,
through Moving Cargo Oy 226,694 class B shares

Eeva Sipilä
Executive Vice President, CFO
b.1973, Finnish, M.Sc.(Econ.), CEFA

Employed by Cargotec and member of the Executive Board since 2005.

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

Member of the Board: Basware Corporation

Cargotec shares 31 December 2010:
in direct ownership 6,540 class B shares,
through Moving Cargo Oy 226,694 class B shares

Matti Sommarberg
Executive Vice President, Chief Technology Officer
b.1961, Finnish, M.Sc. (Eng.), M.Sc. (Econ.)

Employed by Cargotec since 1985
Member of the Executive Board since 2006

Senior Vice President, Operations Development, Cargotec 2006–2009
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

Chairman of the Board: FIMECC Oy

Cargotec shares 31 December 2010:
in direct ownership 940 class B shares,
through Moving Cargo Oy 226,694 class B shares

Kirsi Nuotto

Executive Vice President, Human Resources and Communications
b.1959, Finnish, M.A. (French, Comm.)

Employed by Cargotec and member of the Executive Board since 2006

Executive Vice President, Human Resources 2006–2009
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

Cargotec shares 31 December 2010:
in direct ownership 940 class B shares,
through Moving Cargo Oy 226,694 class B shares

Unto Ahtola

Executive Vice President, Industrial & Terminal
b.1955, Finnish, B.Sc.(Mech. Eng.)

Employed by Cargotec and member of the Executive Board since 2009.

Executive Vice President, Product Solutions, Industrial & Terminal 2009–2010
Employed by Sandvik since 1982:
Vice President, R&D and Engineering 2006–2009
Vice President, Civil Engineering, Construction Segment 2005–2006
President, Tamrock Surface 2001–2005

Cargotec shares 31 December 2010: -

Olli Isotalo
Executive Vice President, Marine
b.1959, Finnish, M.Sc. (Eng.)

Employed by Cargotec since 1993
Member of the Executive Board since 2006

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

Cargotec shares 31 December 2010:
in direct ownership 560 class B shares,
through Moving Cargo Oy 226,694 class B shares

Stefan Gleuel
Executive Vice President, Services
b.1966, German, M.Sc.(Nav. Arch.), M.Sc. (Mgmt.)

Employed by Cargotec for over 10 years
Member of the Executive Board since 2009

Executive Vice President, Service Solutions, Industrial & Terminal 2009–2010
Senior Vice President, MacGregor Service Division 2008–2009
Regional Manager Baltic Sea, MacGregor Service Division 2006–2008
Divisional Manager Marine Electronics, HDW-Hagenuk Schiffstechnik 2001–2006
Area Manager Central Europe, MacGregor Hatch Cover Division 1995–2001

Cargotec shares 31 December 2010:
235 class B shares

Harald de Graaf

Executive Vice President, Europe, Middle East and Africa region
b.1965, Dutch, B.Sc.(Eng.)

Employed by Cargotec and member of the Executive Board since 2006

Senior Vice President, Services 2006–2009
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

Cargotec shares 31 December 2010:
in direct ownership 10,910 class B shares,
through Moving Cargo Oy 226,694 class B shares

Ken Loh

Executive Vice President, Asia-Pacific region
b.1964, Singaporean, D. Mgt

Employed by Cargotec since 1989
Member of the Executive Board since 2009

President, Asian Operations 2000–2009
Managing Director, Kalmar Pacific Ltd 1997–2000
Executive Director, Yardway Group, Kalmar Pacific Ltd. 1989–1997

Cargotec shares 31 December 2010:
1,970 class B shares

Lennart Brelin
Executive Vice President, Americas region
b.1949, Swedish, MBA Business Marketing

Employed by Cargotec 1978−1981 and since 1991
Member of the Executive Board since 2009

Senior Vice President, Hiab Americas Region 2004–2009
Senior Vice President Truck Mounted Forklift product line 2001–2008
President, Cargotec Inc., USA and Hiab Inc., USA 1991–2004

Cargotec shares 31 December 2010:
564 class B shares

Axel Leijonhufvud
Executive Vice President, Supply
b.1961, Swedish, M.Sc. (Mech. Eng.)

Employed by Cargotec since 2007
Member of the Executive Board since 2008

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

Cargotec shares 31 December 2010:
in direct ownership 470 class B shares,
through Moving Cargo Oy 226,694 class B shares

Remuneration statement 2010

Board of Directors

The Annual General Meeting (AGM) decides on the remuneration of members of the Board on the basis of a proposal made by the Nomination and Compensation Committee. In determining these remunerations, the Committee takes account of the Board members' responsibilities and obligations towards the company. Furthermore, the Committee compares the Board remunerations to those paid by other companies of the same size (sales) that operate in comparable business environment.

Based on the decision of the AGM of 5 March 2010, the Board's annual remunerations are as follows:

- Chairman: EUR 80,000
- Vice Chairman: EUR 55,000
- Other Board members: EUR 40,000

In addition, a remuneration of EUR 500 is paid for attendance in meetings of the Board and its committees.

Of the annual remunerations, 30 percent is paid in Cargotec's class B shares and the rest in cash. The shares will be purchased at market price on a quarterly basis. Board members must keep the shares they have obtained in remuneration under their ownership for at least two years from the day they obtained them. Board members receive only remunerations related to their Board and Committee memberships and Board work from the company. Board members are not included in Cargotec's short-term or long-term incentive plans.

In 2010, remunerations were paid to the Board of Directors as follows:

Member of the Board	Total remuneration, EUR (incl. annual remuneration, meeting attendance fees and fringe benefits)	No. of class B shares obtained as remuneration (value included in total remuneration)
Ilkka Herlin, Chairman	89,740	905
Tapio Hakakari, Vice Chairman	62,740	622
Teuvo Salminen, member as of 5th March 2010	38,333	240
Antti Lagerroos, member	47,500	453
Karri Kaitue, member	46,500	453
Anja Silvennoinen, member	46,500	453
Peter Immonen, member	47,500	453
Total	**378,813**	**3,579**

President and CEO and the Executive Board

Reward principles, which are based on Cargotec's core values, are applied in determining the total remuneration of the President and CEO and the Executive Board. The Board decides on the base salary, incentive plans, 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.

The total remuneration of the President and CEO and the Executive Board comprises a fixed base salary as well as incentive plans, for which both short- and long-term targets have been defined. The variable salary component consists of a share-based incentive programme and an option programme, both linked to long-term targets, and short-term bonuses.

In 2010 the short-term bonus plan included financial (operating profit and working capital turnover) and personal goals. The President and CEO's maximum annual bonus level was 100 percent of the annual base salary, and for other members of the Executive Board, 50 percent.

For the financial period 2010, the base salary of Cargotec's President and CEO **Mikael Mäkinen** was EUR 531,325, including fringe benefits. The bonus paid to Mäkinen in 2010 was EUR 184,632. The President and CEO is covered by Cargotec's share-based incentive programme 2010 and option programme 2010. Based on the share-based incentive programme 2010, Mäkinen is entitled to receive 20,000 class B shares, if performance criteria for earnings period 2010–2012 is being met. Based on the option programme 2010, 20,000 2010A option rights were issued to Mikael Mäkinen.

President and CEO, Paid in 2010	
Base salary including fringe benefits	EUR 531,325
Bonus	EUR 184,632
Shares and share-related rights granted in 2010	
Share-based incentive programme, earnings period 2010–2012	20,000 class B shares (gross)
Option programme 2010	20,000 2010A option rights

Other members of Executive Board, Paid in 2010 (total)	
Base salary including fringe benefits	EUR 2,869,885
Bonus	EUR 905,678
Shares and share-related rights granted in 2010 (total)	
Share-based incentive programme, earnings period 2010–2012	74,000 class B shares (gross)
Option programme 2010	90,000 2010A option rights

The President and CEO and other members of the Executive Board are entitled to a statutory pension. Their retirement age is determined in line with the statutory pension scheme. Two members of the Executive Board are entitled to a supplementary pension benefit.

The period of notice of the President and CEO is six months and he has the right to compensation amounting to 12 months' salary for termination of employment. 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.

Long-term incentive plan

Share-based incentive programme 2007–2011

The President and CEO and other members of the Executive Board have been part of Cargotec's share-based incentive programme for the period 2007–2011. The first earnings period lasted two years (2007–2008) and the following three periods one year each. Since the criteria set for the second earnings period (2009) was not met, no payments were made in 2010. In March 2010, Cargotec's Board of Directors decided that the remaining earnings periods (2010 and 2011) will be cancelled.

Share-based incentive programme 2010

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

The programme includes three earnings periods, each of them lasting three calendar years, and they commence in 2010, 2011 and 2012. The Board of Directors will decide on the target group, earnings criteria and the targets to be established for them, as well as the maximum amount of the payable reward for each earnings period. The earnings criteria for the earnings period 2010–2012 are Cargotec's operating profit margin and sales of the fiscal year 2012. The Board of Directors decides on the target group for the earnings period and their maximum reward at the beginning of each earnings period. The first earnings period covers the members of Cargotec's Executive Board.

In 2013, 2014 and 2015 the potential payment will be partly in Cargotec's class B shares and partly in cash. The proportion to be paid in cash is intended to cover taxes and tax-related costs arising from the reward to the executives. The programme prohibits the transfer of the shares within approximately two years from the payment, i.e. the length of the programme is five years for each share lot.

The rewards to be paid on the basis of the earnings period 2010–2012 will correspond to a maximum total of 100,000 Cargotec class B shares (including the proportion to be paid in cash).

Continued employment at the Cargotec Corporation is a basic requirement for participation in the share ownership plan. If the employment terminates before the share payment, the participant will lose the right to the share reward.

Option programme 2010

The Annual General Meeting of 5 March 2010 confirmed that stock options will be issued to the key personnel of Cargotec and its subsidiaries. This programme is intended to encourage key personnel to engage in long-term work in increasing the company's shareholder value, as well as to commit key personnel to the employer. The maximum total number of stock options issued will be 1,200,000. The Board will decide on the target group, earnings criteria and option issuance on an annual basis, in the spring of the years 2010, 2011 and 2012.

In the spring of 2010, 2010A option rights were issued to 54 persons, including the members of Cargotec's Executive Board. With the 2010A option right, the share subscription price is EUR 21.35 per share (volume weighted average price of the company's class B share on NASDAQ OMX Helsinki Ltd during the period 8–19 March, 2010). The annual dividends paid will be deducted from the subscription price. The 2010A option rights entitle their holders to subscribe for a total of 400,000 class B shares of Cargotec, either new or treasury shares held by the company.

A prerequisite for the commencement of the share subscription period related to said option rights is that the financial targets determined annually by the Board of Directors have been achieved. Insofar as such financial targets are not achieved, the related option rights will expire.

Cargotec's Board of Directors has decided that if the company's operating profit for 2010 remains below EUR 100 million, the share subscription period for the 2010A option rights will not commence. If the operating profit equals or exceeds EUR 100 million but remains below EUR 120 million, the share subscription period will commence so that half of the 2010A option rights may be exercised. If the operating profit for the financial year 2010 equals or exceeds EUR 120 million, the share subscription period will commence and apply to all 2010A option rights. The share subscription period will be 1 April 2013–30 April 2015.

Continued employment at the Cargotec Corporation is a basic requirement for participation in the option plan. If the employment terminates before the share subscription period has begun, the participant will lose the right to the options.

Other matters related to remuneration

The loans Cargotec has granted to Moving Cargo Oy for the financing of a top management incentive programme totalled EUR 3.5 million on 31 December 2010. Owners of Moving Cargo Oy include members of Cargotec's Executive Board. Cargotec has granted no other special benefits, nor has it made other corresponding arrangements with parties belonging to its inner circle.

Risk management – From reactive to proactive

The geographic and operational scope of Cargotec's business requires a holistic approach to risk management. In support of business goals, all potential threats and uncertainties are identified and assessed, and action is taken to prepare for them. This is done to ensure business continuance, regardless of changes in the environment.

Revised in the autumn of 2010, Cargotec's Risk management policy provides a structured account of risks and risk management. The revision was made on the basis of the company's values with an objective to link risk management more tightly with key business and support processes and management systems, while creating proactive, systematic risk management practices.

Product safety, w hich can be affected through process development, is part of sustainable performance and risk management.

Risk management concept

Cargotec defines risk as any internal or external threat or uncertainty which may prevent or jeopardise operations and the achievement of objectives. The purpose of risk management is to offer comprehensive support in the achievement of objectives and to ensure the company's operating conditions in a changing market environment. This is done with the objective of including risk management systems in key business and support processes, while ensuring their consistent application within Cargotec and, where key factors are concerned, the partnership network.

Development of systems will make it easier to gather comparable information within the company, permitting systematic risk reporting and cooperation between business units. At the same time, it will make the company better prepared to communicate risks internally and externally. In internal communication, it is essential to provide timely and accurate information to support decision-making and ensure that guidelines are communicated to everyone. The key objective in external risk communication is to inform interest groups of Cargotec's practices and policies, whilst communicating the company's risk management principles and commitments.

Risk classification

Cargotec classifies risks into four groups as follows:

- Strategic and business risks
- Operational risks
- Safety and hazard risks
- Financial risks

Each of the four risk groups is further divided into sub-groups. This is to clarify the overall risk concept and to facilitate the division of roles and responsibilities.

Cargotec's risk map indicates the main risk groups and sub-groups. More information on financial risks is available in Note 3 to the consolidated financial statements, Financial risk management.

Internal control

In Cargotec's risk management system, internal control is responsible for ensuring the following:

- Risk management is adequate and employees comply with internal instructions as well as laws and regulations.
- Management decisions are implemented.
- Decision-making is effective and target oriented.

Cargotec's internal control is based on company values and the Code of conduct. Cargotec's Internal control policy specifies the applicable control principles and procedures.

Internal control is explained in more detail in "Main features of the internal control and risk management pertaining to the financial reporting processes" of the Corporate governance statement.

Risk management responsibilities

The division of roles and responsibilities reflects the all-inclusive approach to risk management adopted at Cargotec: each employee is responsible for identifying risks in their immediate environment. In addition to personal risk assessment, responsibilities have been divided by business and support function and assigned to senior management and Cargotec's risk management function, which coordinates the implementation and development of operations. A more detailed division of responsibilities between different groups is described in the Cargotec Risk management policy.

Revised risk management

In autumn 2010, Cargotec presented a revised Risk management policy, which is currently being introduced. The policy, based on the company's values and strategy, contains more clearly defined roles and responsibilities, and an upgrade to risk reporting. Once fully introduced, the new policy will make risk management a natural part of Cargotec's business processes and risk reporting part of the units' operations. The policy is already in place with respect to strategic risks. Strategic risk management planning, reporting and follow-up will be included in strategy implementation.

Values guiding risk management

Cargotec's operations are guided by three core values. These are reflected in risk management in a number of ways:

- **Global presence - local service**: In addition to global insurance and business travel programmes, risk management runs its own local networks for information collection and cooperation.
- **Working together**: In order to make risk management part of daily work, the new Risk Management Policy emphasises cooperation between key business and support processes.
- **Sustainable operations**: Corporate responsibility is an important consideration in Cargotec's various risk indicators. Risk management-related and other audits focus both on the environment and occupational health and safety. Product safety, which can be affected through process development, is also part of sustainable performance. Risk management sectors involving corporate responsibility are shown in the diagram depicting Cargotec's overall risk process.

Risk management for inclusion in processes

The key principle at Cargotec is to make risk management a consistent and systematic part of operations. Instead of simply reacting to problems, a more extensive proactive approach will be adopted, involving risk identification and assessment as a natural part of business processes.

An extensive process development project is currently under way at Cargotec. This defines Cargotec's key business processes, which are to develop offering, create customer commitment, and provide solutions – equipment, projects and services, as well as management processes and key support processes. The project is also designed to make risk management a part of key business processes. This makes predicting and managing risks much easier. It also accelerates information collection, reporting and consolidation at corporate level, while rendering them more systematic.

Once the process development project has been completed, Cargotec will have succeeded in making quality, environmental and occupational health and safety management part of the management systems.

Reporting and auditing

In the future, units will prepare risk management reports in conjunction with their planning and budgeting, at least on an annual basis. In addition, synergies will be sought between risk management auditing and other Cargotec audits, for example, relating to the environment, quality, data security or subcontracting. Risk management at Cargotec's own assembly units having been audited once, audits will be extended to the partnership network.

Cargotec's operations will be developed based on its own processes and in consideration of international standards. Certified ISO systems, quality and environmental systems as well as occupational health and safety systems and their audits also support the company's risk management. In addition, they support quality, environmental, and occupational health and safety management. External certifications help harmonise practices in different companies, thereby improving transparency and comparability.

The objective of Cargotec's Risk management policy is to compile risk management practices and make them a more effective part of the company's core and support processes. Application of the policy began in 2010. Assessment of new processes for further development of risk management will continue in 2011.

Financial statements

Cargotec's year 2010 was successful. All elements of the positive financial result are displayed on these pages.

- Orders received were EUR 2,729 (1,828) million.
- Sales were EUR 2,575 (2,581) million.
- Operating profit was EUR 131.4 (0.3) million, representing 5.1 (0.0) percent of sales.
- Cash flow from operating activities before financial items and taxes totalled EUR 292.9 (289.7) million.
- Net income for the period amounted to EUR 78.0 (7.1) million.

Board of Directors' report

Operating environment

The load handling equipment markets developed positively during 2010. However, recovery was uneven, varying geographically and by customer segment. Demand remained low in construction-related customer segments. The Americas saw the most powerful recovery. On the other hand, demand continued to revive, particularly for loader cranes, forklift trucks and truck-mounted forklifts, as well as tail lifts.

More containers were handled in ports, with global throughput growth exceeding 13 percent, which was markedly higher than estimated in the beginning of the year. The recovery in demand for container handling equipment in ports began in smaller equipment. The second quarter saw the first orders for large equipment, with this positive development continuing during the second half.

The market continued to be favourable for marine cargo handling equipment, being clearly more active than expected at the beginning of the year. In addition, shipyards succeeded in reselling capacity freed up by cancellations, which reflected positively in new orders received by equipment suppliers. In particular, demand for equipment for bulk vessels grew. The market for offshore equipment was active, despite customers still exercising caution in their decision-making processes. Demand for container ship equipment showed signs of recovery after a couple of inactive years.

Due to improvements in customer capacity utilisation rates, the service markets saw a clear improvement after a quiet start to the year. The services market showed year-round steady growth in the Americas, while growth in EMEA (Europe, Middle East, Africa) mainly occurred towards the end of the year.

Orders received and order book

Orders received in 2010 grew 49 percent from the comparison period and totalled EUR 2,729 (1,828) million. 62 percent of the orders were received in Industrial & Terminal and 38 percent in Marine. Geographically, the same amount of orders originated from EMEA (Europe, Middle East, Africa) and Asia-Pacific. EMEA accounted for 40 (49) percent of all orders, Asia-Pacific for 40 (28) percent, while that of Americas was 20 (23) percent.

At the end of 2010, the order book totalled EUR 2,356 (31 Dec 2009: 2,149) million, which was 10 percent higher than at the end of 2009.

Industrial & Terminal's orders received in 2010 grew to EUR 1,690 (1,260) million, which was 34 percent higher than in the comparison period. Strong growth in orders reflects the market recovery towards the year end. Orders secured by Industrial business mainly included small individual orders, whereas, Terminal business received orders for smaller equipment. At the end of the year, an order for two ship-to-shore cranes and 24 E-One rubber-tyred gantry cranes (RTG), worth around EUR 40 million, was received from Columbia.

Other significant orders received by Industrial & Terminal in 2010 were orders for 350 terminal tractors from the US and an order for 14 environmentally friendly straddle carriers from a French terminal operator. An order for two ship-to-shore cranes from Turkey and an order for six zero emission RTGs from Vietnam. A Russian port operator ordered six RTGs and 10 terminal tractors. In addition, an order worth more than EUR 10 million for truck-mounted forklifts was received from a US based company specialising in home improvement. During the first half, Industrial & Terminal received orders worth USD 110 million for rough terrain container handlers from Tank-Automotive Armament Command (TACOM), part of the US Department of Defence. The orders were received under a five-year production contract signed in 2008. Orders received under this contract now total approximately USD 350 million.

Industrial & Terminal's order book at the end of 2010 totalled EUR 680 (31 Dec 2009: 546) million, which was 25 percent higher than at the end of 2009.

Marine's orders received in 2010 grew 83 percent from the previous year to EUR 1,040 (569) million. Demand for marine cargo handling equipment and orders received were clearly higher than expected at the beginning of the year. In 2010, shipyards managed to resell capacity vacated due to cancellations and postponements, and began to build new bulk ships with a short delivery time. Hence, demand for cranes and hatch covers for bulk ships was very brisk during the early part of the year, but tailed off as the year drew to a close.

Marine received several important orders during the year. Orders for ship cranes worth over EUR 80 million from China and South Korea were received for a delivery of a total of 275 cranes for 64 bulk ships and eight general cargo vessels. Marine also agreed for a delivery for 68 cranes for 17 bulk carriers and design and key components for hatch covers for 26 bulk carriers with a Chinese shipyard. In addition, hatch covers for six bulk ships under construction at a Korean shipyard will be delivered in 2011. This contract follows an order from December 2009 for 24 cranes on the same vessels. Marine also agreed to deliver hatch covers and electric-drive cranes for ten general cargo vessels owned by a Norwegian shipowner.

During the year, Marine also received orders for lashings for 17 mega container ships from South Korea and for 13 container ships owned by a Canadian shipowner. RoRo equipment will be delivered for four vessels under construction in Poland, for two car carries under construction in Japan as well as for four deepsea vessels and two pure car truck carriers under construction in South Korea.

In 2010, Marine received orders for offshore solutions from among others Brazil, China, Holland, and Singapore. Subsea load and module handling systems worth around EUR 20 million will be delivered for Hallin Marine offshore vessel. Moreover, Marine signed contacts for deliveries for two active heave compensated knuckle-jib cranes for offshore vessels being built in Singapore and for one crane for a vessel being build in the Netherlands. Marine also received orders for anchor-handling systems for 20 vessels from China and an order for offshore equipment for two vessels from Brazil.

In 2010, Marine also received an order from Lithuania for a self-unloading system and a range of transloading equipment will be delivered to the customer’s new terminal in Goa, India.

Marine’s order book at the end of 2010 totalled EUR 1,675 (31 Dec 2009: 1,604) million. More than 70 percent of the order book is bulk, general cargo and container ship-related. Offshore support vessels-related orders comprise more than 10 percent of the order book. Orders cancelled in 2010 totalled EUR 145 million. These cancelled orders were removed from the order book.

Services orders received in 2010 increased in all areas of service business. A large number of small contracts typical of the service business were signed. Major service orders received during the financial period included contracts to refurbish and upgrade ten ship-to-shore cranes with Malaysian port operator, three-year full service contracts for RoRo equipment for 25 vessels from Grimaldi Group and agreements for conversions of RoRo equipment on five Ropax vessels from the Swedish Stena Line. In addition, a refurbishment project for a cement ship unloader was received from a Singaporean cement terminal.

Sales

In 2010, sales reached the level of year 2009 sales, amounting to EUR 2,575 (2,581) million. In 2010, currency rate changes had a positive impact on sales compared to 2009. Reported sales would have been approximately six percent less with comparable currency rates. In terms of sales, EMEA (Europe, Middle East, Africa) was the largest market, its share being 42 (46) percent of consolidated sales. Asia-Pacific’s share of sales was 40 (36) and that of the Americas 18 (18) percent. Cargotec’s strategic target is annual sales growth exceeding 10 percent.

Industrial & Terminal’s 2010 sales were EUR 1,526 (1,573) million, 3 percent lower than in 2009. Thanks to a pick-up in demand and production ramp-up, delivery volumes clearly grew at the end of the year. In the beginning of the year, sales were burdened by a low order book as well as uncompleted transfers of production between assembly factories.

Marine’s 2010 sales grew 4 percent from the comparison period, to EUR 1,050 (1,009) million. This sales growth was the result of a strong order book, successful project deliveries and new orders received with a short deliver time.

Services sales in 2010 grew to EUR 706 (652) million, representing 27 (25) percent of total sales reflecting market recovery. The rebound in the services markets, and resulting growth in sales, began in spare parts during the first half of the year. Thereafter, it expanded to other service areas. Services sales amounted to EUR 505 (462) million at Industrial & Terminal, representing 33 (29) percent of the reporting segment’s sales. Services sales at Marine amounted to EUR 201 (190) million, which was 19 (19) percent of its sales.

Financial result

Consolidated operating profit in 2010 turned strongly positive, at EUR 131.4 (0.3) million, representing 5.1 (0.0) percent of total sales. Much of this improvement was due to Industrial & Terminal returning to profit. Operating profit includes EUR 10.5 (61.1) million in restructuring costs, of which EUR 8.3 (43.2) million are related to Industrial & Terminal, EUR 0.1 (1.9) million to Marine and EUR 2.1 (15.9) million to corporate administration and support functions. Restructuring costs recorded in the result for Industrial & Terminal include a capital gain from the sale of the land area and properties in Tampere, Finland. Costs of corporate administration and support functions increased due to the change in the operating model, streamlining of operations and investments in global processes and ERP system.

Operating profit in 2010, excluding restructuring costs, totalled EUR 141.9 (61.3) million. Operating profit for Industrial & Terminal, excluding restructuring costs, was EUR 37.1 (-10.3) million, representing 2.4 (-0.7) percent of its sales, and EUR 147.6 (105.2) million for Marine, representing 14.1 (10.4) percent of Marine’s sales. Cargotec’s strategic target is to raise its operating profit margin to 10 percent.

Industrial & Terminal’s profitability continued to improve throughout the year, due to a recovering market environment and growing volumes. The streamlined and more competitive supply structure and development done in sourcing led to improved product margins. In the beginning of the year, profitability was hampered by additional costs related to challenges in ramping-up production. Although Marine's profitability remained high, as expected it turned down during the second half, with a fall in the share of very high-margin deliveries on orders won during the boom.

Net financing expenses were EUR -29.9 (-27.0) million in 2010.

Net income in 2010 was EUR 78.0 (7.1) million and taxes EUR 23.4 (-33.9) million, representing a 23.1 (126.7) percent effective tax rate. Earnings per share in 2010 grew to EUR 1.21 (0.05).

Balance sheet, cash flow and financing

The consolidated balance sheet total was EUR 2,916 (2,687) million at the end of 2010. Equity attributable to equity holders was EUR 1,065 (871) million, representing EUR 17.37 (14.20) per share. Tangible assets on the balance sheet were EUR 292 (301) million and intangible assets EUR 839 (784) million. The total equity/total assets ratio increased to 42.7 (37.5) percent.

Return on equity (ROE) in 2010 was 8.0 (0.8) percent and return on capital employed (ROCE) 8.6 (0.2) percent. The dividend payment totalled EUR 27.9 (37.4) million in 2010.

As in the previous year, cash flow from operating activities, before financial items and taxes remained very robust in 2010, totalling EUR 292.9 (289.7) million. Net working capital decreased to EUR 43 (123) million at the end of 2010. Gearing fell to 16.0 (38.0) percent at the end of the year. Cargotec's strategic target is to keep gearing below 50 percent over the cycle.

Cargotec's financing structure and liquidity are healthy. Interest-bearing net debt at the end of 2010 was EUR 171 (335) million. Interest bearing debt amounted to EUR 502 (612) million, of which EUR 97 (83) million was current and EUR 405 (529) million non-current debt. Average interest rate on interest-bearing debt was 3.5 (3.4) percent. Cash and cash equivalents, loans receivable and other interest-bearing assets totalled EUR 330 (277) million. In addition, at the year-end, Cargotec had EUR 585 million of undrawn long-term credit facilities, which are available until 2012–2013.

In September, Cargotec repurchased partly its euro-denominated domestic bond due in June 2012 as a part of active management of liquidity and loan refinancing risks. Cargotec agreed to repurchase a nominal amount of EUR 77.8 million from the note holders, which represents 77.8 percent of the original EUR 100 million bond issued in 2005. After this repurchase EUR 22.2 million of this bond is still out at the market.

Key figures on financial performance, including comparison data, are shown in their entirely under the section Key figures of the Financial statements.

New products and product development

Research and product development expenditure in 2010 totalled EUR 37.1 (36.5) million, representing 1.4 (1.4) percent of sales and 1.5 (1.4) percent of all operating expenses excluding restructuring costs.

Cargotec prepared to meet new engine emission regulations taking effect in 2011 in Europe and the US. New Kalmar products use engines with significantly reduced emissions but leave capacity unaffected. During the first half, integration testing of automatic stacking cranes with customer's terminal systems was finalised in the Hamburg CTB terminal and the first three cranes of eight were handed over to the customer. New products were introduced to the market, such as a new empty container handler, which meets the strictest requirements for energy efficiency and ergonomics, and a new truck-mounted forklift with a telescopic boom allowing easier loading and unloading. Cargotec also continued product development projects in order to meet the new Machinery Directive 2006/42/EC safety regulations. In addition, the launch of the EcoService concept in February aimed at bringing new levels of cost efficiency, productivity and reliability to terminal customers' operations. Three new hooklifts were added to the demountable product family.

Emphasis at Cargotec was put on developing solutions for waste and recycling logistics. Cargotec also undertook the representation of waste compactors for refuse collection vehicles and started the resale of waste bin washers and related services.

Cargotec has designed an innovative vehicle transfer system for the US Navy to transfer military vehicles including tanks between ships at sea. Sea trials were successfully completed during the first quarter. The aim is to provide the US military with the capability for large-scale logistics movements from sea to shore without dependency on foreign ports.

Capital expenditure and disposals in property, plant and equipment

Capital expenditure in 2010, excluding acquisitions and customer financing, totalled EUR 43.9 (87.8) million. Investments in customer financing were EUR 16.4 (19.0) million. Depreciation in 2010 amounted to EUR 60.4 (58.7) million.

In September, Cargotec celebrated the opening of its new multi-assembly unit (MAU) in Stargard Szczeciński in Poland. The investment decision was made in April 2009. Production began in rented premises and the transfer to own premises at the new site began at the end of the second quarter of 2010. Currently, load cranes, spreaders and terminal tractors are assembled in the factory. The cash flow impact of the investment cost was EUR 11 million in 2010. Total investment in 2009–2010 amounted to EUR 29 million.

In 2010, Cargotec sold land areas and properties freed up by restructuring measures in the USA, Sweden, Austria and in Tampere, Finland. The impact on cash flow was EUR 26 million in total.

Acquisitions and disposals

In October, Cargotec acquired a 10 percent minority holding in a Singaporean MacGREGOR Plimsoll (Tianjin) Pte Ltd. Subsequent to this transaction, Cargotec owns all shares in the company.

In July, Cargotec acquired a 10 percent minority holding in a Norwegian MacGREGOR Hydramarine AS. Subsequent to this transaction, Cargotec owns all shares in the company.

In March, Cargotec signed a letter of intent to acquire the remaining 25 percent minority share holding in MacGREGOR-Kayaba Ltd in Japan. The transaction was closed in May, and subsequent to this transaction, Cargotec owns all the shares in the company.

In January, Cargotec sold its US-based hydraulic cylinders manufacturing business Waltco Hydraulics to Ligon Industries, LLC. Waltco Hydraulics, situated in Ohio, was part of Waltco Lift Corp. belonging to the Industrial & Terminal business area at Cargotec. Waltco Hydraulics employed 25 people.

Personnel

Cargotec employed 9,954 (9,606) people at the end of 2010. The number of personnel increased towards the end of the year as business volumes grew. Industrial & Terminal employed 7,310 (6,989) people, Marine 2,191 (2,286) and corporate-level support functions 453 (331). The average number of employees in 2010 was 9,673 (10,785). Part-time personnel represented 2 (3) percent of employees. 16 (16) percent of personnel were female and 84 (84) percent male.

At the end of 2010, 20 (19) percent of the employees were located in Sweden, 10 (11) percent in Finland and 30 (30) percent in the rest of Europe. Asia-Pacific personnel represented 25 (26) percent, North and South American 11 (11) percent, and the rest of the world 2 (2) percent of total employees.

Salaries and remunerations to employees totalled EUR 364 (351) million in 2010.

Cargotec refined its company strategy in 2010. Alongside the business strategy, the HR strategy was also re-examined. As a result, four focus areas were identified for the HR strategy: leadership, competence management, competence development and securing strategy deployment. In addition, Cargotec also focused on promoting shared operating methods and processes across the organisation.

In 2010, Cargotec conducted its first global employee survey, Cargotec Compass. This electronic survey was addressed to the entire Cargotec personnel. The response rate was high: 75 percent of Cargotec employees responded. The survey revealed that overall job satisfaction was relatively high, even if the results reflected the changes currently underway within the company. A few areas in need of improvement were identified, including the flow of information, communicating changes and cooperation. Working together was identified as a key theme for further action to be taken under Cargotec Compass.

Adjusting capacity to demand and other restructuring measures

Capacity adjustments and other restructuring measures that began in 2008 were finalised during the first quarter 2010. As a result, the number of employees fell by approximately 3,200.

Above-mentioned restructuring initiatives, including structural capacity adjustment measures, were estimated to create total annual cost savings exceeding EUR 150 million. This savings estimate includes all cost structure streamlining actions announced since the beginning of 2008.

At the end of 2010, Cargotec proceeded with its plans to transform its Tampere unit in Finland into a competence and technology centre. The plan is to change the focus of the Tampere unit from traditional manufacturing to the development of new products and solutions. Consequently, Cargotec initiated employee cooperation negotiations with current supply personnel in Tampere, on possible workforce reduction. Concluded in November, these saw a reduction of 90 employees from the production organisation in Tampere. This will be implemented in stages over the next 1.5 years. In addition, the decision was taken to continue the temporary lay-offs of production employees in Tampere.

Strategy and financial targets

In September, Cargotec refined its strategy. Cargotec will have a clear focus, meaning a prioritised set of actions and resource allocation in order to strengthen its market leadership in the coming years. Cargotec aims to grow faster than the industry average. Cargotec is determined to grow its business through customer focus, with segmentation guiding future business development. In addition, growth will be achieved by expanding Cargotec’s presence and offering, particularly in emerging markets and the service business. Cargotec will also continue to develop its working practices, through aligned processes and greater internal clarity.

Strategic focus areas:
- Customers: Customer perspective lies at the heart of the refined strategy. This means focusing on selected segments, while making a flexible transition towards a more customer-driven approach.
- Services: Stronger emphasis is put on service development, in line with the customers' value chain, and on seeking growth when customers outsource their service operations.
- Emerging markets: Mature markets are showing slower growth. A successful company must be strong, particularly in growing economic areas.
- Internal clarity: Enhanced efficiency and unity are pursued through process development.

Cargotec reconfirms the financial targets based on its refined strategy. These targets reflect the growth expectations of Cargotec’s industry as well as actions already implemented, or which the company intends to implement.

Cargotec’s financial targets are as follows:
- Annual sales growth exceeding 10 percent (incl. acquisitions)
- Raising operating profit margin to 10 percent
- Gearing below 50 percent (over the cycle)
- Dividend 30–50 percent of earnings per share

Process development

As part of what has become a strategic focus to increase internal clarity, Cargotec embarked on a major process development project in 2010. This will define core business processes: product portfolio development, customer relations development, equipment, project and service solution delivery, as well as management and key support processes. Common processes will also support the enhancement and improvement of information flows as well as the clarification of the responsibilities cited as development areas in the employee survey.

Environment

The environmental principles are specified in Cargotec’s environmental policy. The environmental impacts of Cargotec’s operations, i.e. its assembly unit, service units and offices, are primary local. Environmental impacts are also caused by business travel and material deliveries. However, Cargotec’s operations have a relatively minor effect on global environment. Cargotec’s supply chain and the use of its products represent the company’s greatest indirect environmental impacts. As an industry leader, Cargotec strives to minimise these impacts through research and development aimed at creating environmentally friendly and energy efficient solutions.

In 2010, with a view to assessing the environmental impact of all its products, Cargotec continued developing its Pro Future environmental criteria. This involved a study of sustainable development criteria for hatch covers, drawn up alongside the Lappeenranta University of Technology, Finland. Information from this project will be used to asses other products and in developing the Pro Future criteria.

In managing the environmental impacts of its operations, as well as in issues concerning quality, health and safety, Cargotec relies on its certified environmental, quality and safety systems. In addition, an environmental and occupational health monitoring system is in place, providing company-wide key indicators. Cargotec’s latest achievements include the certification of its Polish assembly factory for its environment, occupational health and quality systems. As part of its process development project, Cargotec began to unify and develop its environmental and occupational health and safety processes in line with the One Company operating model. The expertise existing in Cargotec’s various organisations was brought to bear on this project, and common targets were set.

Almost all assembly units are using the key environmental, occupational health and safety indicator monitoring system. Describing the environmental impacts of Cargotec’s own operations, these key indicators are published each year on Cargotec’s website. Occupational health and safety indicators are used for internal development.

Internal control and risk management

The objective of Cargotec’s internal control is to ensure that management decisions are implemented, that decision making is sound and appropriate and that personnel comply with company policies as well as non-company regulations and laws. Cargotec’s internal control is based on its values and the Code of conduct.

In Cargotec, risk management is part of internal control operations. Revised in the autumn of 2010, the Risk management policy provides a structured account of risks and risk management. The objective of the value-based revision was to link risk management more strongly with key business and support processes and management systems, while creating proactive, systematic risk management practices.

Responsibility for risk management is distributed within Cargotec as follows: The Board of Directors is responsible for ensuring the organisation of sufficient risk management and control. The President and CEO and Executive Board are responsible for the implementation of this risk policy and for the risk management process of Cargotec as a whole. Risk management is conducted as far as is possible and practical in the business units and support functions, when running day-to-day processes. Identification, assessment, treatment planning and reporting are incorporated in planning and decision-making processes. The Corporate Risk Management function's role is to develop and coordinate the overall risk management framework and process. The Risk Management function also is responsible for facilitating the final risk assessment and consolidation of risk reports, as part of the annual planning and budgeting process and the strategy process. Financial risks are centrally managed by Corporate Treasury.

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 the related price trends, mergers and acquisitions, and the operations of dealers and subcontractors. In addition, the ever clearer shift in operations towards developing markets requires risk management, not only concerning the shift but also actual operation in these markets.

Operational risks relate to persons, property, processes, products, information technology and practices. The materialisation of operational risks may result in bodily injuries, property damage, business interruptions or product liability claims. First and foremost, Cargotec's main operational risk management measures involve better product safety and business processes in order to ensure 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.

Main hazard risks include risks related to personnel, property, business interruptions and logistics. Cargotec has worldwide insurance covering all units.

For more detail description of financial risks, see Note 3, Financial risk management of the Financial statements.

Changes in the organisation and management

Cargotec's governance model was further developed, resulting in changes in the responsibilities of three Executive Board members as of 1 April 2010. Pekka Vauramo was appointed Chief Operating Officer (COO) and will continue as Deputy to CEO. In his new role, Mr Vauramo is responsible for Cargotec's three business areas and three regions. At the beginning of 2011, Pekka Vauramo relocated to Hong Kong to drive Cargotec's development initiatives in Asia-Pacific.

As of 1 April 2010 Cargotec's businesses was reorganised into three business areas: Marine, Industrial & Terminal and Services. Cargotec's financial reporting is based on two reporting segments: Marine and Industrial & Terminal. In financial reporting, the Services business is included in the figures of these two reporting segments, while its sales will continue to be reported as additional information.

The development of services in both Marine and Industrial & Terminal segments is driven by a joint Services organisation. Stefan Gleuel was appointed Executive Vice President, Services. Unto Ahtola was appointed to lead the Industrial & Terminal business area as Executive Vice President.

Other members of the Cargotec Executive Board are: Mikael Mäkinen, President and CEO; Olli Isotalo, Executive Vice President, Marine business area; Axel Leijonhufvud, Executive Vice President, Supply; Eeva Sipilä, Executive Vice President, Chief Financial Officer; Kirsi Nuotto, Executive Vice President, HR and Communications; Matti Sommarberg, Executive Vice President, Chief Technology Officer; Harald de Graaf, Executive Vice President, EMEA region; Ken Loh, Executive Vice President, Asia-Pacific region and Lennart Brelin, Executive Vice President, Americas region.

Senior Executive Vice President, Kari Heinistö, and Executive Vice President of Hiab business area, Pekka Vartiainen, left the Executive Board in January.

Annual General Meeting

Decision taken at Cargotec Corporation's Annual General Meeting

Cargotec Corporation's Annual General Meeting (AGM) was held on 5 March 2010 in Helsinki. The AGM approved the financial statements and consolidated financial statements and granted discharge from liability to the President and CEO and the members of the Board of Directors for the accounting period 1 January–31 December 2009.

The AGM approved a dividend of EUR 0.39 per class A share and EUR 0.40 per class B share outstanding be paid.

The number of the members of the Board of Directors was confirmed at seven. Tapio Hakakari, Ilkka Herlin, Peter Immonen, Karri Kaitue, Antti Lagerroos and Anja Silvennoinen were re-elected to the Board of Directors. Teuvo

Salminen was elected as a new member to the Board of Directors. The meeting decided that a yearly remuneration of EUR 80,000 be paid for the Chairman, EUR 55,000 for the Vice Chairman and EUR 40,000 for the other Board members. In addition, it was decided that members receive EUR 500 for attendance at Board and Committee meetings and that 30 percent of the yearly remuneration will be paid in Cargotec Corporation's class B shares and the rest in cash.

Authorised public accountants Johan Kronberg and PricewaterhouseCoopers Oy were re-elected as auditors.

Option programme

The AGM confirmed that stock options 2010A, 2010B and 2010C will be issues to the key personnel of Cargotec and its subsidiaries. The maximum total number of stock options issued will be 1,200,000 and the stock options entitle their owners to subscribe for a maximum total of 1,200,000 new class B shares in Cargotec or existing class B shares held by the company. The share subscription price will be based on the volume weighted average price of the company's class B share on NASDAQ OMX Helsinki Ltd. during two full weeks following the AGM in 2010, 2011 and 2012.

More information about stock options follows in the section “Shares and trading, Option programme 2010”.

Authorisations granted by the Annual General Meeting

The AGM authorised the Board of Directors to decide on repurchasing of own shares with non-restricted equity. The shares may be repurchased in order to develop the capital structure of the company, to finance or carry out possible acquisitions, to implement the company's share-based incentive plans, to be transferred for other purposes or to be cancelled. 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 2,959,487 class B shares repurchased during 2005–2008 in the company's possession on the AGM date.

In addition, the AGM authorised the Board to decide on issuance of a maximum of 6,400,000 treasury shares, of which no more than 952,000 are class A shares and 5,448,000 are class B shares, in one or more lots. The share issue can be directed and it is to be used as compensation in acquisitions and in other arrangements, to finance acquisitions or for personnel incentive purposes. The Board of Directors has also the right to decide on the transfer of the shares in public trading on NASDAQ OMX Helsinki Ltd. according to its rules and regulations. The Board of Directors was also authorised to decide on other conditions of the share issue.

Both authorisations shall remain in effect for a period of 18 months from date of decision of the AGM.

Organisation of the Board of Directors

The Board of Directors elected Ilkka Herlin to continue as Chairman of the Board and Tapio Hakakari as Vice Chairman. Outi Aaltonen, Senior Vice President, Cargotec's General Counsel, was elected as Secretary to the Board of Directors.

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

Shares and trading

Share capital

There were no changes in Cargotec Corporation's share capital in 2010. On 31 December 2010, share capital totalled EUR 64,304,880. At the end of 2010, the number of class B shares listed on NASDAQ OMX Helsinki Ltd. was 54,778,791 while that of unlisted class A shares totalled 9,526,089. 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. On 31 December 2010, 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. Total number of votes attached to all shares was 15,002,570 (15,002,624). At the end of 2010, Cargotec Corporation had 16,982 (18,010) registered shareholders. There were 12,831,581 (11,286,140) nominee-registered shares, representing 19.95 (17.75) percent of the total number of shares, which corresponds to 8.55 (7.52) percent of all 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) cent and at maximum two and one half (2.5) cents.

Own shares

At the end of the financial period, Cargotec held a total of 2,959,487 own class B shares, accounting for 4.60 percent of the share capital and 1.97 percent of the total voting rights of all shares. The shares were repurchased in 2005–2008.

The Board of Directors decided to exercise the authorisation conferred by the AGM held on 5 March 2010, to acquire own shares. No own shares, however, were repurchased in 2010.

Share-based incentive programme 2010

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

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

The potential reward will be paid partly as Cargotec's class B shares and partly in cash in 2013, 2014 and 2015. The proportion to be paid in cash is intended to cover taxes and tax-related costs arising from the reward. The rewards to be paid on the basis of the earning period 2010–2012 will correspond to the approximate value of a maximum total of 100,000 Cargotec class B shares (including also the proportion to be paid in cash).

The remaining earnings periods 2010 and 2011 of the former share-based incentive programme 2007–2011 were not commenced as the new programme replacing the current programme was implemented as from the beginning of 2010. On the basis of the former programme, a total of 31,356 class B shares were paid as reward to key personnel for the first earning period 2007–2008. No rewards were paid for the second earning period 2009 as the targets established for the earnings criteria were not attained. A total of 387,500 series B shares were initially reserved for the programme.

Option programme 2010

The AGM confirmed that stock options will be issues to the key personnel of Cargotec and its subsidiaries. The target group of the programme is approximately 60 persons including the members of Cargotec Executive Board. The share subscription period for stock options 2010A, will be 1 April 2013–30 April 2015, for stock options 2010B, 1 April 2014–30 April 2016 and for stock options 2010C, 1 April 2015–30 April 2017.

The beginning of the share subscription period requires attainment of targets established for a performance criterion determined by the Board of Directors annually. Those stock options, for which the targets have not been attained, will expire. The Board of Directors has decided that if the operating profit of the financial year 2010 is below EUR 100 million, the share subscription period with stock options 2010A will not commence; if the operating profit of the financial year 2010 is at least EUR 100 million but below EUR 120 million, the share subscription period will commence with half of the stock options 2010A; if the operating profit of the financial year 2010 is EUR 120 million or above, the share subscription period will commence with all of the stock options 2010A.

The operating profit target for 2010 having been fulfilled, share subscription will begin in April 2013 covering all 2010A stock options issued, as per the programme terms and conditions. The share subscription price for stock option 2010A is EUR 21.35/share. Dividends paid annually will be deducted of subscription price.

The Board decides performance criterion for 2010B and 2010C stock options in 2011 and 2012 and subscription prices for 2010B and 2010C stock options will be determined after 2011 and 2012 AGMs.

For more detailed description of the option programme, see Note 27 Share-based payments, of the Financial statements.

Market capitalisation and trading

At the end of 2010, the total market value of class B shares was EUR 2,023 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 2,390 million, excluding treasury shares held by the company.

The class B share price doubled in 2010 from EUR 19.31 to EUR 39.03 on NASDAQ OMX Helsinki Ltd. The volume weighted average share price in 2010 was EUR 26.08, the highest quotation being EUR 39.37 and the lowest EUR 19.16. In 2010, a total of 47 (55) million class B shares were traded on NASDAQ OMX Helsinki Ltd., corresponding to a turnover of EUR 1,226 million. The average daily trading volume of class B shares was 186,891 shares or EUR 4,864,852.

In 2010, in addition to NASDAQ OMX Helsinki Ltd., a total of 35 (13) million class B shares were traded on several alternative market places, corresponding to a turnover of EUR 886 million. Shares were mainly traded in Chi-X and BATS Europe.

Loans, liabilities and commitments to persons belonging to the company's inner circle

The loans Cargotec has granted to Moving Cargo Oy for the financing of a top executive incentive programme, totalled EUR 3.5 million on 31 December 2010. Owners of Moving Cargo Oy include members of Cargotec Executive Board. Cargotec has granted no other special benefits, nor has it made other corresponding arrangements with parties belonging to its inner circle.

For further information on the terms of the loan, see note 35, Related-party transactions.

Board of Directors and the President and CEO

The election of the members of the Board of Directors and the auditor and their remunerations as well as changes in the Articles of Association, are decided by the Annual General Meeting of Shareholders. The Board of Directors elects Cargotec's President and CEO and determines the terms of his/her employment. 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.

Short-term risks and uncertainties

Developments in the global economy and cargo flows have a direct effect in Cargotec's business environment and customers' willingness to invest. Although the global recovery has reflected positively on Cargotec's business environment, there is still uncertainty and sudden changes cannot be ruled out. If these materialise, they may have a negative impact on Cargotec's short-term outlook, should the company prove unable to adapt its operations accordingly with sufficient speed.

Cargotec's wide group of customers and suppliers requires active and continuous monitoring, in order to minimise risks associated with credit losses or supply chain disruptions. Credit loss risks typically diminish as markets recover. On the other hand, with all parts of the supply chain ramping up production, recovering markets can be subject to occasional problems in component availability. The resulting supply problems could weaken the development of sales and profitability.

Cargotec estimates that the recovery of shipbuilding market has begun and the cancellation risk in the order book has decreased. On the other hand, cancellations could occur in the form of postponed deliveries. This would have a negative impact on the development of short-term sales and operating profit. An estimated EUR 200 million of Marine's order book involves a risk of cancellation.

Events after financial period

At the end of January 2011, Cargotec announced an acquisition of a US based terminal operating systems provider Navis. The transaction value is approximately USD 190 million (approximately EUR 140 million). By acquiring the leading TOS provider Navis, Cargotec will further strengthen its ability to provide total solutions for its terminal customers. The company has more than 300 employees of which the majority is located in the United States and India. Its sales are expected to be around USD 70 million in 2011, with around 40 percent recurring sales. The acquisition is subject to regulatory approvals from competition authorities, which are expected to be received during the first quarter of 2011.

In January, Cargotec signed a EUR 300 million five-year revolving credit facility. It replaces an undrawn EUR 300 million facility maturing in May 2012. With refinancing and prolonging the maturity, Cargotec strengthens its long-term liquidity and takes advantage of the favourable market conditions.

In December, Cargotec become a majority shareholder in Kalmar (Malaysia) Sdn. Bhd. by increasing its ownership in the company from 50.0 to 69.9 percent. The deal was closed in early January 2011.

In November 2010, Cargotec acquired the assets of a Swedish installation and service company, Hallberg-Ivarsson Hydraulik & Påbyggnad AB, located in Gothenburg. The company specialises in installation and services for on-road load handling equipment and heavy vehicles. The deal was closed in early January 2011.

Board of Directors' proposal on the distribution of profit

The parent company's distributable equity on 31 December 2010 was EUR 900,630,347.75 of which net income for the period was EUR 49,943,386.27. The Board of Directors proposes to the AGM convening on 8 March 2011, that of the distributable profit, a dividend of EUR 0.60 for each of the 9,526,089 class A shares and EUR 0.61 for each of the 51,819,304 outstanding class B shares be paid, totalling EUR 37,325,428.84. The remaining distributable equity, EUR 863,304,918.91 will be retained and carried forward.

No significant changes have occurred in the Cargotec's financial position after the end of the financial year. Liquidity is good and the proposed distribution of dividend poses no risk to the company's financial standing.

Outlook

Cargotec's 2011 sales are estimated to grow over 10 percent based on estimated strong growth both in the Industrial & Terminal and Marine segments. The recovery in the market situation and increased order intake are estimated to boost growth for Industrial & Terminal while the strong order book in the beginning of the year is estimated to support growth in Marine sales. Cargotec's 2011 operating profit margin is estimated to continue to improve as a result of growth and significant efficiency improvement measures executed during the past years.

Annual General Meeting 2011

Cargotec Corporation's Annual General Meeting will be held at the Marina Congress Center in Helsinki on Tuesday, 8 March 2011 at 1.00 pm EET.

Helsinki, 3 February 2011
Cargotec Corporation
Board of Directors

Consolidated financial statements (IFRS)

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Consolidated financial statements (IFRS)

Consolidated statement of income

MEUR	Note	1 Jan–31 Dec 2010	%	1 Jan–31 Dec 2009	%
Sales	4, 6	**2,575.0**		**2,580.9**	
Cost of goods sold		-2,052.2		-2,158.7	
Gross profit		**522.8**	**20.3**	**422.2**	**16.4**
Other operating income	7	43.2		42.7	
Selling and marketing expenses		-146.0		-144.5	
Research and development expenses		-34.7		-34.4	
Administration expenses		-197.9		-179.0	
Restructuring costs	8	-10.5		-61.1	
Other operating expenses	7	-46.3		-46.5	
Share of associated companies' and joint ventures' net income		0.8		0.8	
Operating profit	4, 7, 9, 10	**131.4**	**5.1**	**0.3**	**0.0**
Financing income	11	16.2		14.5	
Financing expenses	11	-46.1		-41.6	
Income before taxes		**101.4**	**3.9**	**-26.7**	**-1.0**
Income taxes	12	-23.4		33.9	
Net income for the period		**78.0**	**3.0**	**7.1**	**0.3**
Net income for the period attributable to:					
Equity holders of the company		74.2		3.1	
Non-controlling interest		3.8		4.0	
Total		**78.0**		**7.1**	
Earnings per share for profit attributable to the equity holders of the company:	13				
Basic earnings per share, EUR		1.21		0.05	
Diluted earnings per share, EUR		1.21		0.05	

Consolidated statement of comprehensive income

MEUR	1 Jan–31 Dec 2010	1 Jan–31 Dec 2009
Net income for the period	78.0	7.1
Gain/loss on cash flow hedges	102.5	6.9
Gain/loss on cash flow hedges transferred to statement of income	-25.6	36.2
Translation differences	124.3	20.5
Taxes relating to components of other comprehensive income	-53.7	-14.6
Comprehensive income for the period	**225.5**	**56.1**
Comprehensive income for the period attributable to:		
Equity holders of the company	220.3	52.1
Non-controlling interest	5.2	4.0
Total	**225.5**	**56.1**

The notes are an integral part of the consolidated financial statements.

Consolidated statement of financial position

MEUR	Note	31 Dec 2010	31 Dec 2009
ASSETS			
Non-current assets			
Goodwill	14	748.9	689.6
Other intangible assets	15	89.7	94.7
Property, plant and equipment	16	292.4	301.2
Investments in associated companies and joint ventures	17, 18	6.5	7.5
Available-for-sale investments	19, 22	4.3	1.5
Loans receivable and other interest-bearing assets *	22	7.7	7.4
Deferred tax assets	20	103.6	113.9
Derivative assets	22 ,33	20.0	9.1
Other non-interest-bearing assets	22, 23	5.1	8.0
Total non-current assets		**1,278.2**	**1,233.0**
Current assets			
Inventories	21	678.8	609.3
Loans receivable and other interest-bearing assets *	22	4.9	2.9
Income tax receivables		16.0	30.6
Derivative assets	22 ,33	73.5	38.8
Accounts receivable and other non-interest-bearing assets	23	546.3	506.1
Cash and cash equivalents *	22, 24	317.7	266.6
Total current assets		**1,637.4**	**1,454.5**
Assets held for sale	25	**0.4**	**-**
Total assets		**2,916.0**	**2,687.4**

* Included in interest-bearing net debt

MEUR	Note	31 Dec 2010	31 Dec 2009
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the company			
Share capital		64.3	64.3
Share premium account		98.0	98.0
Translation differences		86.8	-1.1
Fair value reserves		33.3	-24.9
Retained earnings		783.0	734.6
Total equity attributable to the equity holders of the company	**26, 27**	**1,065.4**	**870.8**
Non-controlling interest		3.7	10.6
Total equity		**1,069.0**	**881.5**
Non-current liabilities			
Loans *	22, 28	403.8	511.2
Deferred tax liabilities	20	58.7	29.7
Pension obligations	29	45.2	37.8
Provisions	30	24.9	19.0
Derivative liabilities	22 ,33	3.9	28.4
Other non-interest-bearing liabilities	22, 31	33.7	28.6
Total non-current liabilities		**570.1**	**654.7**
Current liabilities			
Current portion of long-term loans *	22, 28	41.1	23.0
Other interest-bearing liabilities *	22, 28	55.4	60.1
Provisions	30	65.0	66.2
Advances received		411.3	339.0
Income tax payables		22.4	40.1
Derivative liabilities	22 ,33	38.6	58.0
Accounts payable and other non-interest-bearing liabilities	22, 31	642.8	564.8
Total current liabilities		**1,276.8**	**1,151.3**
Total equity and liabilities		**2,916.0**	**2,687.4**

* Included in interest-bearing net debt. In addition, the calculation of the interest-bearing net debt includes the hedging of cross-currency risk relating to the USD 300 million Private Placement bond, totalling on 31 December 2010, EUR 1.2 (31 Dec 2009: 17.5) million.

The notes are an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

	Attributable to the equity holders of the company							
MEUR	Share capital	Share premium account	Translation differences	Fair value reserves	Retained earnings	Total	Non-controlling interest	Total equity
Equity 1 Jan 2009	64.3	98.0	-20.4	-54.6	768.0	855.3	9.1	864.4
Net income for the period					3.1	3.1	4.0	7.1
Comprehensive income for the period *								
Cash flow hedges				29.6		29.6	0.0	29.6
Translation differences			19.3			19.3		19.3
Dividends paid					-36.7	-36.7	-1.5	-38.2
Shares subscribed with options	0.0	0.0				0.0		0.0
Share-based incentives, value of received services *					0.1	0.1		0.1
Other changes							-1.0	-1.0
Equity 31 Dec 2009	**64.3**	**98.0**	**-1.1**	**-24.9**	**734.6**	**870.9**	**10.6**	**881.5**
Equity 1 Jan 2010	64.3	98.0	-1.1	-24.9	734.6	870.9	10.6	881.5
Net income for the period					74.2	74.2	3.8	78.0
Comprehensive income for the period *								
Cash flow hedges				58.2		58.2	-0.4	57.8
Translation differences			87.9			87.9	1.8	89.6
Dividends paid					-24.4	-24.4	-2.0	-26.4
Shares subscribed with options								
Share-based incentives, value of received services *					0.8	0.8		0.8
Other changes					-2.2	-2.2	-10.2	-12.3
Equity 31 Dec 2010	**64.3**	**98.0**	**86.8**	**33.3**	**783.0**	**1,065.4**	**3.7**	**1,069.0**

* Net of tax.

The notes are an integral part of the consolidated financial statements.

Consolidated statement of cash flows

MEUR	Note	1 Jan–31 Dec 2010	1 Jan–31 Dec 2009
Net income for the period		78.0	7.1
Depreciation and impairments		60.5	60.0
Financing items and taxes		53.3	-6.9
Change in receivables		21.1	243.9
Change in payables		91.4	-301.6
Change in inventories		-4.5	287.9
Other adjustments		-7.0	-0.8
Cash flow from operations		**292.9**	**289.7**
Interest received		3.3	1.8
Interest paid *		-27.0	-25.3
Dividends received		0.0	0.0
Other financial items		19.5	36.6
Income taxes paid		-29.4	-38.6
Cash flow from operating activities		**259.3**	**264.2**
Capital expenditure		-63.2	-106.8
Proceeds from sales of fixed assets	16	36.7	29.7
Acquisitions, net of cash	5	-40.1	-7.6
Cash flow from investing activities, other items		-1.8	-2.5
Cash flow from investing activities		**-68.3**	**-87.2**
Proceeds from share subscriptions		-	0.0
Proceeds from long term borrowings		-	100.6
Repayments of long term borrowings		-106.3	-4.2
Proceeds from short term borrowings		1.9	16.5
Repayments of short term borrowings		-13.0	-46.9
Dividends paid		-27.9	-37.4
Cash flow from financing activities		**-145.2**	**28.6**
Change in cash		**45.8**	**205.6**
Cash, cash equivalents and bank overdrafts 1 Jan	24	252.5	45.9
Effect of exchange rate changes		5.4	0.9
Cash, cash equivalents and bank overdrafts 31 Dec	**24**	**303.6**	**252.5**
Bank overdrafts 31 Dec		14.1	14.2
Cash and cash equivalents 31 Dec		**317.7**	**266.6**

*Interest paid include EUR 0.2 (2009: 0.1) million capitalised interests.

The notes are an integral part of the consolidated financial statements.

Notes to the consolidated financial statements (IFRS)

Contents

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, 00501 Helsinki, Finland. Cargotec Corporation and its subsidiaries form the Cargotec Group (later referred to as Cargotec or company). Cargotec Corporation B shares are listed on the NASDAQ OMX Helsinki since 1 June 2005.

Cargotec is the world's leading provider of cargo handling solutions whose brands Hiab, Kalmar and MacGregor, are global market leaders in their fields and the solutions are used on land and at sea – wherever cargo is on the move. Extensive services close to customers ensure the continuous usability of equipment. Cargotec's on-road load handling solutions are used for moving, lifting, loading and unloading products, goods or raw material from vehicles. In terminals, ports, heavy industry and distribution centres Cargotec container and heavy load handling equipment and services are used. Marine cargo flow solutions are used in general cargo, bulk, container and RoRo vessels, tankers, bulk terminals and offshore industry.

These consolidated financial statements were approved for publishing by the Board of Directors on 3 February 2011. Pursuant to the Finnish Limited-Liability Companies Act the shareholders have the right to approve or reject the financial statements in the Annual General Meeting held after their publication. The Annual General Meeting also has the right to amend the financial statements. A copy of the Annual Report is available on the Internet at www.cargotec.com or from the address Cargotec Corporation, Investor relations, PL 61, 00501, Helsinki, Finland.

Accounting principles and new accounting standards

Cargotec Corporation's consolidated financial statements have been prepared according to the International Financial Reporting Standards (IFRS) as adopted by the European Union. The IAS and IFRS standards as well as SIC and IFRIC interpretations valid on 31 December 2010 have been used in preparation of the financial statements.

Financial information is presented in millions of euros and business transactions are based on historical cost conversion 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 1 January 2010:

IFRS 3R, Business Combinations (revised). The scope of the revised standard is broader than earlier. 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 an impact on profit and loss in the acquisition year and in the years when additional earn-outs are paid or additional acquisitions performed. Assets and liabilities that arose from business combinations whose acquisition dates preceded the application of revised standard will not be adjusted. The revision does not have a material impact on the consolidated financial statements.

IAS 27: Consolidated and Separate Financial Statements (amendment). 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 (IAS 28) and jointly controlled entities (IAS 31). Due to the standard amendment, subsidiary loss can be allocated to minorities even in a situation when the loss exceeds the non-controlling's investment. The amendment does not have a material impact on the consolidated financial statements.

IAS 39 Financial Instruments: Recognition and Measurement (amendment): Eligible Hedged Items. The amendments are related to hedge accounting and define the hedging of one-sided hedged risk and inflation as a hedgeable component. The amendment clarifies the guidance of the hedge accounting.

IFRIC 9 and IAS 39 (amendment): Reassessment of Embedded Derivatives on Reclassification. The amendments clarify that on reclassification of a financial asset out of the ‘at fair value through profit or loss' category all embedded derivatives have to be assessed and, if necessary, separately accounted for in the financial statements. The amendment does not have a material impact on the consolidated financial statements.

IFRS 2: Share-based Payment – Group Cash-settled Share-based Payment Transactions (amendment). The amendment to IFRS 2 clarifies that an entity that receives goods or services from its suppliers must apply IFRS 2 even though the entity has no obligation to make the required share-based cash payments. The amendment does not have a material impact on the consolidated financial statements.

New interpretations: IFRIC 12: Service Concession Arrangements, IFRIC 15: Agreements for the Construction of Real Estate, IFRIC 16 Net Investment in a Foreign Operation, IFRIC 17: Distributions of Non-cash Assets to Owners and IFRIC 18: Transfer of Assets from Customers. The interpretations do not have a material impact on the financial statements.

Additionally, Cargotec has adopted the amendments related to the IFRS 2008 and 2009 Annual Improvements, which have been endorsed by the EU. Aforementioned changes do not have a material impact on the consolidated financial statements.

Restatement of reporting segments' comparable figures

As of January 1, 2010 Cargotec has two reporting segments, Industrial & Terminal and Marine. Reporting segments' financial information for comparable periods has been restated accordingly.

Consolidation principles

The consolidated financial statements include the parent company Cargotec Corporation and the subsidiaries, in which the parent company holds more than 50 percent of the voting rights or in which it otherwise exercises control, as well as joint ventures and associated companies.

Subsidiaries are accounted for using the acquisition method. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred for acquisitions realised after 1.1.2010. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Cargotec recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets on an acquisition-by-acquisition basis. Subsidiaries acquired during the financial period are included in the consolidated financial statements from the date of control, and divested subsidiaries up to the date of control ceasing.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of comprehensive income.

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 non-controlling interest is presented in the statement of income. Equity attributable to non-controlling interest is disclosed as a separate item in the equity.

Investments in associated companies (in which Cargotec holds 20–50 percent of the voting rights or exercises significant influence, but has no control) and Joint Ventures (in which Cargotec holds 50 percent of the voting rights or exercises joint control with the other owners) are accounted for in the consolidated financial statements under the equity method. The investments in associates and joint ventures include the goodwill identified on acquisition.

Transactions with non-controlling interests are treated as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains and losses on disposals to non-controlling interests are also recorded in equity. When the group acquires control in an associate or joint venture, the previous equity interest is valued at fair value and the difference to book value is recognised in profit and loss.

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. Exchange rate differences on derivative instruments designated as cash flow hedges of future cash flows are recorded in the consolidated statement of comprehensive income, until transferred to statement of income simultaneously with the underlying cash flow. Exchange rate differences on other hedges relating to business operations are recorded in other operating expenses. Foreign exchange gains and losses associated with financing are included in financial income and expenses.

Exchange rate differences arising from investments in foreign subsidiaries are recognised in translation differences in equity. Some intracorporate loan agreements form part of a net investment as their settlement is not planned, and it is not probable in the foreseeable future, and thus the exchange rate change of these contracts is also recognised in translation differences under equity. When a foreign operation is partially disposed or sold, exchange differences that were recognised in equity are recognised in the statement of income as part of the gain or loss on sale.

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 statements of income and cash flow of subsidiaries whose functional currency is other than the 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 the consolidated comprehensive statement of income.

Translation differences from elimination of net investments in subsidiaries outside of the euro area and from the loans and other instruments designated as hedges to the net investments are recognised in the consolidated comprehensive statement of income. When the foreign entity or a part of it is disposed, accumulated translation differences which were recorded in other comprehensive income are recognised in the statement of income as a part of the gain or loss on sale.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Cargotec together with the President and CEO.

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 the company 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 (cost to cost -method) or by completion of a certain physical milestone (milestone method). 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 primarily expensed when incurred. However, development costs are capitalised when certain criteria related to economic and technical feasibility are met, and it is expected that the product will generate future economic benefits. Capitalised development costs include mainly materials, supplies and direct labour costs. Earlier expensed development costs are not capitalised later. Capitalised development costs are depreciated on a straight-line basis over their useful economic life. Unfinished development projects are impairment tested annually.

Income taxes

Tax expenses in the statement of income includes taxes on the taxable income of the companies for the period, tax adjustments for previous financial periods and the changes in deferred taxes.The consolidated statement of comprehensive income includes taxes on items presented in the consolidated statement of comprehensive income. Deferred tax assets or liabilities are calculated based on temporary differences between financial reporting and the taxation calculated with effective prevailing tax rates. Temporary differences arise for example from defined benefit plans, provisions, elimination of inter-company inventory profits, depreciation differences on tangible assets, untaxed reserves, tax losses carried forward and fair value adjustments of assets and liabilities of acquired companies. Deferred tax liabilities are recognised in full and deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the net assets acquired. Goodwill is not depreciated but tested for impairment at least annually. The impairment testing is described in detail in the section Impairments. Goodwill is recognised at cost, decreased by potential impairment. Impairment losses are recognised in the statement of income.

Other intangible assets

Other intangible assets include patents, trademarks, licenses, software, capitalized development costs, the acquired order book and customer relationships. These assets are originally valued at historical costs, except for intangible assets acquired in a business combination which are valued at fair value at 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 they are tested for impairment at least annually. The impairment testing is described in detail in the section Impairments.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciations and impairment losses, if any. Depreciation is recorded on a straight-line basis over the expected economic useful life of assets as follows:

- Buildings 5–40 years
- Machinery and equipment 3–10 years
- Land and water areas are not depreciated.

The assets' residual values and useful lives are reviewed, and adjusted when necessary, at each balance sheet date. The cost of major renovations is included either in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be distinguished for ordinary maintenance and repair costs.

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

Financing costs

Financing costs are charged to the statement of income during the financial period in which they incur, with the exception that the borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as a part of the cost of the asset in question.

Impairments

The book values of non-current tangible and other intangible assets and that of other assets are reviewed for potential impairment at each date of financial position. Should any indication arise, the asset is tested for impairment. An impairment test determines the recoverable amount of an asset. The recoverable amount is the fair value less costs to sell or the higher cash flow-based value in use. If the recoverable amount of a single asset cannot be reliably determined, the impairment is considered at the level of cash generating unit (CGU), which is independent from the other units, and whose cash flows are separately identifiable and independent from cash flows of the other units.

An impairment loss is charged to the statement of income 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, however, not to an extent higher than the carrying amount that would have been determined if no impairment loss had been recognised in prior years.

Goodwill and intangible assets with indefinite useful lives are tested for impairment when any indication of impairment exists, however, at least annually. Goodwill is allocated to the cash-generating units (CGU) of the company for the purpose of impairment testing. The allocation is made to those cash generating units or group of units that are expected to benefit from the business combination in which they arose, identified according to the operating segments. The testing of other intangible assets with indefinite useful life is either performed as part of a cash-generating unit or separately if the asset generates independent cash flows. The recoverable amount of a CGU is determined by value-in-use calculations. In assessing the recoverable amount, estimated future net cash flows are discounted to their present value based on the weighted average cost of capital prevailing in the company for the currency area, where the cash-generating unit can be considered to be located. The weighted average cost of capital reflects current market view of the time value of the money and risks relate to the unit to be tested. Impairment losses recognised for goodwill in the statement of income are not reversed.

Leases, Cargotec as a 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 statement of income on a straight-line basis over the lease period.

Lease agreements in which the Company has substantially all of ownership risks and rewards are classified as finance leases. Finance lease agreements are entered into the statement of financial position as assets and liabilities at the inception of the lease period at the lower of the fair value of the leased equipment or the estimated present value of the minimum lease payments. Assets acquired under finance lease agreements are depreciated over the shorter of the useful life of the asset or the lease period. 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 a lessor

Cargotec rents out container handling equipment under non-cancellable operating leases with varying terms and renewal rights. In operating leases the risks and rewards incident to ownership of an asset remain with the lessor. The leased asset is recognised in the statement of financial position 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 a finance lease 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 in the statement of financial position at present value. The financial charge relating to the finance lease contract is recognised in the statement of income over the lease term so as to achieve a constant interest rate on outstanding balance.

Customer finance

Trade finance arrangements are used in certain customer segments, distribution channels and geographical markets. In these arrangements the company is involved in arranging financing for the customer and/or the dealer with a financing partner. 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 the Company, the customer and the financing partner.

Inventories

Inventories are measured at the lower of cost or estimated net realisable value. Cost is primarily determined using the weighted average method. The cost of finished goods and work in progress includes raw materials, direct labour, other direct costs and a proportion of both 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 make the sale.

Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of the carrying amount and fair value less cost to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable.

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, and financial assets available-for-sale. The classification of assets is done at the initial purchase and is determined by the aim of the asset. The assets with maturities under 12 months are included in the statement of financial position in current assets, and those with maturities over 12 months in non-current assets.

The financial assets recorded at fair value through profit or loss category includes derivative instruments on which hedge accounting is not applied. The changes in fair value are recognised in the statement of income.

Loans and other receivables are not quoted in the market and they are not kept for trading purposes. Loans receivable 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. An impairment loss is recognised in the statement of income if the book value of the loan receivable is greater than the estimated recoverable amount.

Accounts receivable are recorded at the 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.

The financial assets available-for-sale consist of shares not quoted in the market and 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. If there is objective evidence that the fair value has decreased, an impairment loss is recognised in the statement of income. Impairment on investments in shares cannot be reversed.

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

A financial asset is derecognised when the contractual rights to cash flow from the asset expires, or are transferred, and when material risks and rewards of ownership have been transferred to another party.

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 liabilities. In the statement of cash flows bank overdrafts are deducted from cash and cash equivalents.

Financial liabilities

Financial liabilities are classified as financial liabilities recorded at amortised cost, and liabilities at fair value through profit or loss. Liabilities with maturities under 12 months are included in the statement of financial position under current liabilities and those with maturities over 12 months under non-current liabilities.

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 statement of income.

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

Derivative financial instruments and hedge accounting

Derivative instruments are initially recognised on the statement of financial position at cost, which equals the fair value, and are subsequently measured at fair value on each balance sheet date. Fair values of currency forward contracts are based on quoted market rates at 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. Derivative instruments with maturities over 12 months, are recorded in non-current assets and liabilities, and those with maturities under 12 months 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 instruments and the underlying items, 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 cash flow.

Changes in the fair value of effective cash flow hedges are recognised in other comprehensive income. However, for currency forwards only the exchange rate difference is deferred into fair value reserve and the fair value changes due to interest rate difference is recognised in the statement of income. Cumulative gain or loss on the hedge deferred to reserves is recognised in the statement of income as adjustment to the underlying cash flow when the underlying cash flow is recognised. If the underlying cash flow is no longer expected to materialise, the deferred gain or loss is immediately recognised in the statement of income. 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 fair value reserve and is recognised in the statement of income when the underlying operative item materialises. In effectiveness testing results in ineffectiveness, the ineffective portion of the hedges is recognised immediately in the statement of income.

Changes in the fair values of hedges, for which hedge accounting is not applied, are recognised in the statement of income, 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 Cargotec Corporation'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 statement of income in 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 together with adjustments for unrecognised past-service costs. Pension costs assessed by annual actuarial calculations, are recognised in the statement of income over the expected average remaining working lives of the employees. The liability of a defined benefit pension plan is determined by the projected unit credit method. The yield of a high-quality bond issued by a corporation or a government is used as a discount factor in net present value calculations. Unrecognised actuarial gains or losses are booked in the statement of income over the expected average remaining working lives of the employees to the extent that they exceed the greater of 10 percent of the liability or 10 percent of the fair value of plan assets. Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

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. In case the time value of money is significant the provision is stated at present value.

Provisions for warranties cover the estimated costs to repair or replace products still under warranty on the balance sheet date. Provision for warranty is calculated based on historical experience of levels of repairs and replacements.

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

A restructuring provision is recorded when Cargotec has prepared a detailed restructuring plan and started the implementation of the plan or communicated the plan. A restructuring plan shall include the following information; business which is affected, the main units and personnel affected by the restructuring, as well as the costs to be incurred and the timetable of the plan.

Treasury shares

When the parent company or its subsidiaries purchase shares of 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 share-based incentive plans which include an incentive paid as shares, options or in cash. The benefits granted in accordance with the incentive plan are valued at fair value at the granting date and are expensed on a straight-line basis over the earning period. The fair value of the equity settled incentive is the market value at the granting date. The fair value of the options is determined using the Black-Scholes option pricing model. These share-based payments are booked as an equity increase. The cash settlement is valued at fair value and recognised as a liability at each annual closing until the settlement of the liability.

The expensed amount is based on the estimated future benefits at the end of the earning period. The non-market criteria, like profitability or increase in sales, are not included in the fair value of the benefit but taken into account when estimating the total benefits. The estimate is updated at every annual closing, changes in estimates are recorded through the statement of income.

When the option rights are used for subscription of the shares, the consideration received, net of transaction costs, is credited to the reserve for invested unrestricted equity. Possible transaction costs are deducted from the consideration received.

Adoption of new or amended IFRS standards and interpretations

In 2011, Cargotec will adopt the following new and amended standards and interpretations by the IASB:

IAS 24 (revised): Related Party Disclosures. The revised standard simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party.

IAS 32 (amendment): Financial instruments: Presentation – Classification of Rights Issues. The amendment addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer.

IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments and IFRIC 14 (amendment) Prepayments of a Minimum Funding Requirement.

IASB published changes to 7 standards or interpretations as part of the Annual Improvements to IFRS's project in July 2010.*

The following standards, interpretations and amendments will be applied in 2012 or later:

IFRS 9: Financial Assets – Classification and Measurement*. The standard represents the first milestone in the IASB's planned replacement of IAS 39. It addresses classification and measurement of financial assets. The next steps involve reconsideration and re-exposure of the classification and measurement requirements for financial liabilities, impairment testing methods for financial assets, and development of enhanced guidance on hedge accounting. The standard will probably have an impact on accounting for financial assets in the company.

IFRS 9: Financial Liabilities – Classification and Measurement*. The second part of IFRS 9 was published in October 2010. It complements previously issued IFRS 9, 'Financial instruments' to include guidance on financial liabilities. The accounting and presentation for financial liabilities shall remain the same except for those financial liabilities for which fair value option is applied.

IFRS 7 (amendment) Disclosures – Transfers of Financial Assets*: The amendment adds disclosure requirements related to risk exposures derived from transferred assets. Additional disclosures, where financial assets have been derecognised but the entity is still exposed to certain risks and rewards associated with the transferred asset, are required.

IAS 12 (Amendment) Deferred taxes*: Currently IAS 12 requires an entity to estimate, which part of the carrying value of an item measured at fair value is recovered through use (for example, rental income) and which part through sale (capital gain). The amendment introduces a rebuttable presumption that certain assets measured at fair value are recovered entirely by sale. Presumption applies to deferred tax arising from investment properties, property, plant and equipment or intangible assets that are measured using the fair value model or revaluation model.

Management is assessing the impact of the above mentioned standards and interpretations on the consolidated financial statements.

* The mentioned standards, interpretations or amendments have not yet been endorsed in the EU.

2. Management estimates

When preparing the consolidated financial statements, management makes estimates and assumptions which have an impact on the reported assets and liabilities, the presentation of the contingent assets and liabilities in notes and the reported income and expenses of the financial year. These estimates are based on the management's historical experience, best knowledge about the events and other factors, such as expectations on future events, which can be considered feasible. The actual amounts may differ from the estimates used in the financial statements. The accounting estimates were used to determine the size of the items reported in the financial statements, such as possible impairments of goodwill or other assets, as well as provisions and taxes.

Revenue recognition

The percentage of completion method is applied to separately identified long-term construction contracts. Application of the percentage of completion method requires an estimate of the actual costs incurred in proportion of the estimated total costs. If the estimate of the final outcome of the contract changes, the recognition of revenue and profit is adjusted in the period the change can be estimated. The expected loss from the long term construction contract is expensed immediately. In 2010 approximately 3.5 (2009: 7.9) percent of sales were recognised based on the percentage of completion of the long term construction contracts.

Taxes

The determination of income taxes and deferred tax assets and liabilities and the amount of deferred tax to be recognised requires management judgement. On 31 December 2010, Cargotec had EUR 68.8 (2009: 65.7) million deferred tax assets resulting from carried forward tax losses.

Cargotec is subject to income tax in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. Cargotec recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Defined benefit plans

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The appropriate discount rate is determined at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 29, Pension liabilities.

Provisions

A provision is recognised when Cargotec has a present 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. A provision may be recognised only when the amount can be reliably estimated. The amount to be recorded is the best estimate of the cost required to settle the obligation. The estimate of the financial impact of the past event requires management judgement, which is based on the similar events occurred in the past, and where applicable, external experts' opinion. Provisions are reviewed on a regular basis, and when necessary, adjusted to reflect the current best estimate. The most significant provisions are warranty provisions, which include the cost of repairing or replacing products during the warranty period. Restructuring provision is recognised when Cargotec has prepared a detailed restructuring plan and published it. The provision reflects the management's best estimate of the net present value of the future cash outflows. The actual costs may differ from the estimated costs. On 31 December 2010, provisions totalled EUR 89.9 (31 Dec 2009: 85.2) million, of which EUR 9.1 (31 Dec 2009: 9.9) million were restructuring provisions.

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). Determining cash flows requires management judgement and assumptions. The management trusts the estimates and assumptions to be sufficiently reliable for determining fair values. More information on the measurement of fair value of assets acquired through business combinations is presented in Note 5, Acquisitions and disposals.

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 the result of the passage of time or a normal use of the assets or an increase in interest sales. Internal sources of information include evidence of the obsolescence 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.

Goodwill and other intangible assets with indefinite life are tested at least annually. For impairment testing the goodwill and other intangible assets with indefinite life are allocated to cash generating units (CGU). The recoverable amounts of cash generating units (CGU) are based on value-in-use calculations. These calculations require the use of estimates (Note 14, Goodwill). On 31 December 2010, Cargotec had goodwill amounting to EUR 748.9 (31 Dec 2009: 689.6) million and other intangible assets with indefinite life totalling EUR 41.2 (31 Dec 2009: 40.0) million. Additional information on the sensitivity of the recoverable amount to assumptions used is given in Note 14, Goodwill.

3. 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 management 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 on 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 120 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 of currency risks is restricted, such as 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, are fully hedged. Other highly probable cash flows may be hedged, if deemed necessary by corporate treasury and the business unit. The business units report their risk exposures to Cargotec Treasury and hedge the positions via corporate internal forward contracts. 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 hedges. A change in the fair value of a hedge future cash flow is recognised in the hedge reserve under equity until the cumulative profit or loss is recorded in the statement of income simultaneously with the underlying cash flow. Hedge accounting is not applied in cases where its impact on the consolidated statement of income is deemed insignificant by Cargotec Treasury.

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 through long-term cross currency and interest rate swaps. Resulting from the hedging, Cargotec effectively holds EUR 225 million long-term fixed rate debt.

Investments in non-euro-area subsidiaries cause translation differences, recorded in consolidated equity (translation risk). In addition to equity shares, Cargotec holds intracorporate loan contracts regarded as net investments. Exchange rate gains and losses arising from these loans are recorded as translation differences. On 31 December 2010, Swedish krona denominated net investment loans totalled EUR 862 (31 Dec 2009: 740) million and Norwegian krona denominated net investment loans EUR 68 (31 Dec 2009: 62) million.

The objective of managing the 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 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.

Sensitivity analysis, in accordance with IFRS 7, aims to represent the sensitivity of the consolidated income and equity with respect to foreign exchange rate fluctuations. The statement of income sensitivity is due to foreign currency denominated financial assets and liabilities in the statement of financial position, the hedges assigned to the statement of financial position items and the 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 under hedge accounting, as exchange rate differences are recognised in the cash flow hedge reserve in other comprehensive income. A foreign exchange rate impact on the hedge reserve is expected to be offset by the corresponding impact on the underlying cash flow and the statement of income as the cash flows materialise. Majority of the hedges and underlying cash flows mature within 2 years, except for the interest flows of the US dollar denominated corporate bonds, and their respective hedges, which materialise within 9 years.

If the US dollar had strengthened/weakened 10 percent against the euro, the effect on the pre-tax profit would have been EUR 1.3 million negative/positive (31 Dec 2009: 1.3 positive/negative), and on other comprehensive income

EUR 13.2 million negative/positive (31 Dec 2009: 2.7 positive/negative).

If the Swedish krona had strengthened/weakened 10 percent against the euro, the effect on the pre-tax profit would have been EUR 0.2 (31 Dec 2009: 1.6) million negative/positive, and on other comprehensive income EUR 30.3 (31 Dec 2009: 33.2) million positive/negative including financial instruments as defined in IFRS 7, or EUR 116.5 (31 Dec 2009: 107.2) million positive/negative including also corporate internal loans contracts regarded as net investment, for which the exchange rate differences are recognised in translation differences.

If the Swedish krona had strengthened/weakened 10 percent against the US dollar, the effect on the pre-tax profit would have been EUR 0.3 million positive/negative (31 Dec 2009: 0.3 negative/positive), and on other comprehensive income EUR 29.8 (31 Dec 2009: 20.4) million positive/negative.

Interest rate risk

Fluctuations in market interest rates have an effect on consolidated interest outflows and the fair values 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 statement of income, statement of financial position and statement of cash flows, also taking account of the market value of net debt. To manage the interest rate risk, 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 derivative instruments.

On 31 December 2009, Cargotec consolidated interest-bearing debt totalled EUR 500.3 (31 Dec 2009: 594.3) million, of which EUR 246.2 (31 Dec 2009: 307.6) million consisted of fixed rate corporate bonds, EUR 99.9 (31 Dec 2009: 99.9) million of other long term fixed rate loans, EUR 2.4 (31 Dec 2009: 5.7) million of finance lease liabilities and rest, EUR 151.7 (31 Dec 2009: 181.1) million of floating rate loans, short term loans and bank overdrafts. On 31 December 2010, the average duration of interest-bearing debt, excluding bank overdrafts, was 38 (31 Dec 2009: 42) months.

The EUR 330.3 (31 Dec 2009: 277.0) million investment portfolio consisted mainly of short term deposits and bank account balances. Interest-bearing loan receivables totalled EUR 12.7 (31 Dec 2009: 10.4) million. The average duration of the deposits was one month (31 Dec 2009: less than one month), and that of the loan receivables 8 (31 Dec 2009: 15) months.

Following the sensitivity analysis in accordance with IFRS 7, per one percentage point increase/decrease in interest rates the effect on consolidated interest would be EUR 0.5 million positive/negative (31 Dec 2009: EUR 0.4 million negative/positive). The statement of income sensitivity is due to variable rate loans, bank account balances and bank overdrafts.

During 2010 Cargotec started to recognise fair value changes of all currency forward contracts due to interest component immediately in financial income and expenses; hence changes in market rates may affect financial result also via currency hedging. In sensitivity analysis, these effects are not accounted for, since the effect of one percent change in interest levels is not significant, assuming similar change in all currency pairs and that current currency position remains.

Interest fixing periods

31 Dec 2010 MEUR	0-6 mths	6-12 mths	12-24 mths	24-36 mths	Later	Total
Interest-bearing assets	323.3	6.0	0.5	-	0.5	330.3
Non-current loans from financial institutions	-97.5	-16.7	-33.3	-33.3	-16.7	-197.5
Corporate bonds	-	-	-22.2	-	-224.1	-246.2
Finance lease liabilities	-0.4	-0.3	-0.4	-0.6	-0.9	-2.5
Current interest-bearing liabilities*	-52.5	-1.6	-	-	-	-54.1
Net	**172.9**	**-12.5**	**-55.4**	**-34.0**	**-241.1**	**-170.0**

31 Dec 2009 MEUR	0-6 mths	6-12 mths	12-24 mths	24-36 mths	Later	Total
Interest-bearing assets	267.8	5.2	0.4	3.5	-	277.0
Non-current loans from financial institutions	-100.0	-	-16.9	-33.3	-50.5	-200.7
Corporate bonds	-	-	-	-99.9	-207.7	-307.6
Finance lease liabilities	-2.3	-0.5	-0.7	-1.0	-1.2	-5.7
Current interest-bearing liabilities*	-76.3	-4.1	-	-	-	-80.3
Net	**89.3**	**0.7**	**-17.2**	**-130.8**	**-259.3**	**-317.3**

*Including bank overdrafts

On 31 December 2009, the interest fixing period for corporate bonds ranged between 3 and 10 years

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 and by exceeding short term liquidity requirements. On 31 December 2010, the liquidity reserves, including cash and cash equivalents and long-term unused credit facilities, totalled EUR 903 (31 Dec 2009: 852) million. Short term liquidity requirements include the repayments of short and long term debt within the next 12 months, as well as strategic liquidity requirement, defined by the Treasury Committee, which covers the operative funding demand within the following 12 months. On 31 December 2010, repayments of short and long term interest-bearing liabilities due in the following 12 months totalled EUR 82.3 (31 Dec 2009: 68.9) million.

On 31 December 2010, the committed unused long-term credit facilities, included in liquidity reserves, totalled EUR 585 (31 Dec 2009: 585) million, of which EUR 535 million matures in the year 2012 and EUR 50 million in 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 available short term bank overdraft facilities of EUR 181 (31 Dec 2009: 188) million and a EUR 150 million Commercial Paper facility, which was unused in 2010 and 2009.

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 a covenant restricting the corporate capital structure. According to the covenant, Cargotec gearing must be retained below 125 per cent. On 31 December 2010 gearing was 16.0 (31 Dec 2009: 38.0) per cent. According to management assessment, Cargotec is in a good position regarding liquidity and there are no significant concentrations of risks relating to refunding.

The following tables represent maturity analysis of financial liabilities. The figures are non-discounted contractual cash flows. Cargotec Treasury reports cash flows and liquidity position monthly to the Board of Directors.

Maturities of financial liabilities

31 Dec 2010 MEUR	2011	2012	2013	2014	2015	Later	Total
Derivatives							
Fx forward contracts, outflow	-2,818.2	-164.7	-23.1	-	-	-	-3,006.0
Fx forward contracts, inflow	2,855.8	168.2	23.3	-	-	-	3,047.3
Cross-currency and interest rate swaps, outflow	-10.5	-10.5	-10.5	-79.2	-7.2	-168.6	-286.5
Cross-currency and interest rate swaps, inflow	12.5	12.5	12.5	80.3	8.6	170.5	296.9
Derivatives, net	**39.6**	**5.4**	**2.3**	**1.1**	**1.4**	**1.9**	**51.6**
Accounts payable and other non-interest bearing liabilities	-303.3	-16.0	-5.5	-3.5	-1.6	-7.2	-337.0
Loans from financial institutions, repayments	-81.7	-88.3	-38.3	-21.7	-5.0	-2.5	-237.6
Loans from financial institutions, finance charges	-4.5	-2.9	-1.4	-0.4	-0.1	0.0	-9.2
Corporate bonds, repayments	-	-22.2	-	-71.1	-	-153.4	-246.7
Corporate bonds, finance charges	-13.3	-12.9	-12.5	-9.2	-8.6	-17.1	-73.6
Finance leases, repayments	-0.6	-0.4	-0.6	-0.1	-0.1	-0.7	-2.4
Finance leases, finance charges	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2	-0.6
Total	**-363.9**	**-137.3**	**-56.2**	**-104.8**	**-14.1**	**-179.2**	**-855.5**

31 Dec 2009 MEUR	2010	2011	2012	2013	2014	Later	Total
Derivatives							
Fx forward contracts, outflow	-2,012.7	-341.0	-31.8	-1.7	-	-	-2,387.2
Fx forward contracts, inflow	1,992.2	332.0	31.3	1.8	-	-	2,357.3
Cross-currency and interest rate swaps, outflow	-10.5	-10.5	-10.5	-10.5	-79.2	-175.9	-297.0
Cross-currency and interest rate swaps, inflow	11.6	11.6	11.6	11.6	74.3	165.3	285.9
Derivatives, net	**-19.4**	**-7.9**	**0.6**	**1.2**	**-4.8**	**-9.8**	**-40.0**
Accounts payable and other non-interest bearing liabilities	-198.5	-41.0	-11.9	-5.0	-2.2	-2.1	-260.7
Loans from financial institutions, repayments	-68.6	-41.9	-88.3	-38.3	-21.7	-8.1	-267.0
Loans from financial institutions, finance charges	-4.8	-4.0	-2.9	-1.6	-0.7	-0.8	-14.9
Corporate bonds, repayments	-	-	-100.0	-	-65.9	-142.3	-308.2
Corporate bonds, finance charges	-15.4	-15.4	-13.4	-11.6	-8.5	-23.9	-88.2
Finance leases, repayments	-2.8	-0.8	-0.9	-0.3	-0.1	-0.8	-5.7
Finance leases, finance charges	-0.1	-0.1	-0.1	-0.1	0.0	-0.2	-0.6
Total	**-616.1**	**-106.1**	**-212.0**	**-50.7**	**-99.0**	**-210.4**	**-1,294.2**

Corporate bonds have maturities ranging from 2012 to 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 23, Accounts receivable and other non-interest-bearing receivables.

Cargotec holds no significant amounts of 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. During 2010, only Cargotec 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 Cargotec 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.

Total capital is calculated as the sum of equity and net debt. 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. Cargotec long-term target is to retain gearing below 50 percent. The elements of gearing are presented in the table below.

MEUR	31 Dec 2010	31 Dec 2009
Interest-bearing liabilities*	501.5	611.8
Interest-bearing loan receivables	-12.7	-10.4
Cash and cash equivalents	-317.7	-266.6
Interest-bearing net debt	**171.2**	**334.8**
Equity	1,069.0	881.5
Gearing	**16.0%**	**38.0%**

*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.

4. Segment information

Cargotec has two operating segments, Industrial & Terminal and Marine. The operating segments are based on the management reports prepared for the Board of Directors and the President and CEO; and the accounting principles applied in these reports. Operating segments are not aggregated to build the reporting segments reported below. The transfer pricing between segments is based on market prices. There are no differences between internal and external accounting principles.

On-road load handling solutions delivered by the Industrial & Terminal segment are used for moving, lifting, loading and unloading products, goods or raw material from vehicles. In terminals, ports, heavy industry and distribution centres Industrial & Terminal segment´s container and heavy load handling equipment and services are also used. Marine segment delivers marine cargo flow solutions used in general cargo, bulk, container and RoRo vessels, tankers, bulk terminals and offshore industry.

4.1. Operating segments

Segment results

Sales of the operating segments comprises of products and services sales. The financial performance of the operating segments is measured through operating profit (excluding restructuring costs). Financing income and expenses, taxes and certain corporate administration cost are not allocated to the operating segments.
During the financial year 1 Jan-31 Dec 2010 and 1 Jan-31 Dec 2009 Cargotec did not have individual significant customers according to definition of IFRS 8.

1 Jan–31 Dec 2010 MEUR	Industrial & Terminal	Marine	Segments total	Eliminations and nonallocated items	Cargotec total
Sales					
Services	504.8	201.3	706.1	-	706.1
Products	1,020.4	848.5	1,868.9	-	1,868.9
External sales total	1,525.1	1,049.9	2,575.0	-	2,575.0
Internal sales	0.4	0.3	0.7	-0.7	0.0
Total sales	**1,525.5**	**1,050.1**	**2,575.7**	**-0.7**	**2,575.0**
Depreciation and amortisation	45.6	9.0	54.6	5.7	60.3
Impairment charges	0.1	-	0.1	-	0.1
Share of associated companies' and joint ventures' net income	0.5	0.3	0.8	-	0.8
Operating profit excluding restructuring costs	**37.1**	**147.6**	**184.7**	**-42.8**	**141.9**
% of sales	2.4%	14.1%	-	-	5.5%
Restructuring costs	8.3	0.1	8.4	2.1	10.5
Operating profit	**28.8**	**147.4**	**176.2**	**-44.9**	**131.4**
% of sales	1.9%	14.0%	-	-	5.1%
Financing items	-	-	-	-	-29.9
Income before taxes	**-**	**-**	**-**	**-**	**101.4**

1 Jan–31 Dec 2009 MEUR	Industrial & Terminal	Marine	Segments total	Eliminations and nonallocated items	Cargotec total
Sales					
Services	461.9	190.0	651.9	-	651.9
Products	1,110.8	818.2	1,929.0	-	1,929.0
External sales total	1,572.6	1,008.2	2,580.9	-	2,580.9
Internal sales	0.6	0.4	1.0	-1.0	0.0
Total sales	**1,573.3**	**1,008.6**	**2,581.9**	**-1.0**	**2,580.9**
Depreciation and amortisation	47.9	9.0	56.9	1.8	58.7
Impairment charges	1.3	-	1.3	-	1.3
Share of associated companies' and joint ventures' net income	0.4	0.4	0.8	-	0.8
Operating profit excluding restructuring costs	**-10.3**	**105.2**	**94.9**	**-33.5**	**61.3**
% of sales	-0.7%	10.4%	-	-	2.4%
Restructuring costs	43.2	1.9	45.2	15.9	61.1
Operating profit	**-53.6**	**103.3**	**49.7**	**-49.4**	**0.3**
% of sales	-3.4%	10.2%	-	-	0.0%
Financing items	-	-	-	-	-27.0
Income before taxes	**-**	**-**	**-**	**-**	**-26.7**

Segment assets and liabilities

Segments' assets and liabilities comprise of all business assets and liabilities that are used by the segment or can be reasonably allocated to the segment. Unallocated assets comprise of loans and other interest-bearing receivables, cash and cash equivalents, income tax receivables, deferred tax assets, deferred interests and derivatives designated as hedges of future treasury transactions. Unallocated liabilities comprise loans and other interest-bearing liabilities, income tax payables, deferred tax liabilities, accrued interests and derivatives designated as hedges of future treasury transactions.

31 Dec 2010 MEUR	Industrial & Terminal	Marine	Segments total	Eliminations and nonallocated items	Cargotec total
Non-interest-bearing assets	1,480.6	898.2	2,378.8	46.6	2,425.3
Investments in associated companies and joint ventures	5.3	1.2	6.5	-	6.5
Unallocated assets, interest-bearing	-	-	-	330.3	330.3
Other unallocated assets	-	-	-	153.8	153.8
Total assets	**1,485.8**	**899.4**	**2,385.3**	**530.7**	**2,916.0**
Non-interest-bearing liabilities	511.9	709.2	1,221.1	29.5	1,250.6
Unallocated liabilities, interest-bearing *	-	-	-	501.5	501.5
Other unallocated liabilities	-	-	-	94.8	94.8
Total liabilities	**511.9**	**709.2**	**1,221.1**	**625.9**	**1,846.9**
Assets employed	974.0	190.2	1,164.2	17.0	1,181.2
Capital expenditure	44.1	6.9	51.0	9.4	60.3

31 Dec 2009 MEUR	Industrial & Terminal	Marine	Segments total	Eliminations and nonallocated items	Cargotec total
Non-interest-bearing assets	1,367.2	862.9	2,230.1	18.2	2,248.3
Investments in associated companies and joint ventures	4.7	2.8	7.5	-	7.5
Unallocated assets, interest-bearing	-	-	-	277.0	277.0
Other unallocated assets	-	-	-	154.7	154.7
Total assets	**1,371.9**	**865.7**	**2,237.6**	**449.8**	**2,687.4**
Non-interest-bearing liabilities	427.7	637.8	1,065.4	4.9	1,070.3
Unallocated liabilities, interest-bearing *	-	-	-	611.8	611.8
Other unallocated liabilities	-	-	-	123.9	123.9
Total liabilities	**427.7**	**637.8**	**1,065.4**	**740.5**	**1,806.0**
Assets employed	944.2	227.9	1,172.2	13.3	1,185.5
Capital expenditure	77.7	11.6	89.3	17.5	106.8

*The unallocated interest-bearing net debt includes the hedging of cross-currency risk relating to the USD 300 million Private Placement bond, totalling on 31 December 2010, EUR 1,2 (31 Dec 2009: 17.5) million.

Orders

	Orders received			Order book	
MEUR	1 Jan–31 Dec 2010	1 Jan–31 Dec 2009		31 Dec 2010	31 Dec 2009
Industrial & Terminal	1,689.7	1,259.9		680.3	545.8
Marine	1,040.0	569.1		1,675.5	1,603.6
Eliminations	-0.8	-0.7		-0.2	0.0
Total	**2,728.9**	**1,828.4**		**2,355.6**	**2,149.3**

Number of employees

	Average			At the end of year	
	1 Jan–31 Dec 2010	1 Jan–31 Dec 2009		31 Dec 2010	31 Dec 2009
Industrial & Terminal	7,055	8,023		7,310	6,989
Marine	2,190	2,476		2,191	2,286
Corporate administration and support functions	428	285		453	331
Total	**9,673**	**10,785**		**9,954**	**9,606**

4.2. Information divided by geographical area

Sales

Sales are reported by customer location, while assets and capital expenditure is reported by the location of the assets. The geographical areas are based on the main market division.

1 Jan–31 Dec 2010 MEUR	Industrial & Terminal	Marine	Segments total	Eliminations and nonallocated items	Cargotec total
Finland	49.9	9.0	58.9	0.0	58.9
Other EMEA	802.5	226.4	1,028.8	-0.5	1,028.3
China	60.5	262.2	322.7	-	322.7
South Korea	27.0	271.5	298.5	-	298.5
Other Asia-Pacific	166.0	235.0	401.0	-0.1	400.9
USA	302.5	28.8	331.3	-	331.3
Other Americas	117.1	17.3	134.4	-	134.4
Total	**1,525.5**	**1,050.1**	**2,575.7**	**-0.7**	**2,575.0**

1 Jan–31 Dec 2009 MEUR	Industrial & Terminal	Marine	Segments total	Eliminations and nonallocated items	Cargotec total
Finland	43.3	8.2	51.5	-0.3	51.2
Other EMEA	902.9	238.9	1,141.8	-0.4	1,141.4
China	60.7	228.5	289.1	-	289.1
South Korea	24.3	276.7	301.0	-	301.0
Other Asia-Pacific	148.2	192.9	341.1	-0.3	340.8
USA	276.6	50.7	327.3	-	327.3
Other Americas	117.4	12.7	130.1	0.0	130.0
Total	**1,573.3**	**1,008.6**	**2,581.9**	**-1.0**	**2,580.9**

*Non-current assets **

MEUR	31 Dec 2010	31 Dec 2009
Finland	39.1	51.4
Other EMEA	248.7	257.9
Asia-Pacific	66.7	58.9
Americas	34.6	35.2
Goodwill	748.9	689.6
Total	**1,137.8**	**1,093.0**

* Excluding financial instruments and deferred tax assets. Goodwill has not been allocated to geographical areas.

Capital expenditure

MEUR	1 Jan–31 Dec 2010	1 Jan–31 Dec 2009
Finland	8.5	12.8
Other EMEA	38.2	63.5
Asia-Pacific	9.4	23.0
Americas	4.2	7.5
Total	**60.3**	**106.8**

Number of employees

	31 Dec 2010	31 Dec 2009
Finland	1,040	1,040
Other EMEA	5,271	4,976
Asia-Pacific	2,534	2,510
Americas	1,109	1,080
Total	**9,954**	**9,606**

5. Acquisitions and disposals

Acquisitions 2010

In October, Cargotec acquired a 10 percent minority holding in a Singaporean MacGREGOR Plimsoll (Tianjin) Pte Ltd. Subsequent to this transaction, Cargotec owns all shares in the company.

In July, Cargotec acquired a 10 percent minority holding in a Norwegian MacGREGOR Hydramarine AS. Subsequent to this transaction, Cargotec owns all shares in the company.

In March, Cargotec signed a letter of intent to acquire the remaining 25 percent minority share holding in MacGREGOR-Kayaba Ltd in Japan. The transaction was closed in May, and subsequent the transaction, Cargotec owns all the shares in the company.

The business combination of Société Maghrebic S.A:n and Arne Holst & Co A/S were accounted as preliminary at the end of 2009, as the determination of fair values was unfinished. The accounting of these acquisitions was finalised in 2010. This had no impact on the previous year's figures.

Disposals 2010

In January, Cargotec has sold its US-based hydraulic cylinders manufacturing business Waltco Hydraulics to Ligon Industries, LLC. This transaction had no material impact on Cargotec's result or cash flow.

Acquisitions 2009

In 2009, Cargotec completed two acquisitions. In December, Cargotec acquired the port service and equipment related part of Moroccan Société Maghrepic S.A.'s business operations. Maghrepic has been Cargotec's dealer representative in Morocco and has a long experience as a service and spare parts provider. According to the deal, Cargotec employed 44 persons, most of whom are service technicians. In August, Cargotec acquired the assets of a Danish sales and services company Arne Holst & Co. A/S. This acquisition included the takeover of business assets and customer contacts as well as the transfer of four employees to Cargotec.

In addition, Cargotec acquired an 18 percent minority holding in Kalmar España S.A. and 20 percent minority holdings in Italian Officine Cargotec Ferrari Genova S.r.l and Officine Cargotec Ferrari Prato S.r.l. as well as in Australian Hiab Australia Pty Ltd. Subsequent to these transactions, Cargotec owns all shares in the companies.

In 2009, Hiab established a small joint-venture focusing on the environmental segment in China.

The transaction price of the acquisitions completed in 2009 amounted to EUR 7.2 million and the related goodwill in Cargotec's balance sheet to EUR 3.1 million. Goodwill amounting to EUR 2.2 million is related to the acquisition of the minority interests.

Management estimates that the consolidated sales for 2009 would have been EUR 2,588 million if the acquisitions had been completed on 1 January 2009.

The business combinations of Société Maghrepic S.A. and Arne Holst & Co. A/S were accounted as preliminary as the determination of fair values to be assigned to the assets, liabilites and contingent liabilities was yet not finalised.

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 at the end of 2008, as the determination of fair values was unfinished. The accounting of these acquisitions was finalised in 2009. This had no impact on the previous year's figures.

Disposals 2009

In November, Cargotec agreed on the termination of the 2006 signed cooperation agreement with the Chinese company Goodway. The cooperation agreement will be terminated in early 2010.

In October, Cargotec agreed to transfer its off-road forestry cranes business to the Finnish Mesera Salo Oy. The transfer agreement also included stationary mounted off-road crane models. As part of the deal, some key employees in the off-road crane business transferred to Mesera. The real estate related to the business and located in Salo, Finland, was sold to the Finnish Rakennus-Järvi Oy in December. These transactions had no material impact on Cargotec's result or cash flow.

6. Long term construction contracts

Sales include EUR 91.0 (2009: 203.6) 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 47.1 (31 Dec 2009: 95.6) million in unbilled contract revenue and EUR 118.2 (76.8) million in advances received.

7. Other operating income and expenses

Other operating income

MEUR	1 Jan–31 Dec 2010	1 Jan–31 Dec 2009
Gain on disposal of intangible and tangible assets	2.1	1.6
Customer finance related other income	25.6	26.4
Rent income	1.4	1.6
Income from order cancellations	1.1	6.1
Other income	13.0	7.0
Total	**43.2**	**42.7**

Other operating expenses

MEUR	1 Jan–31 Dec 2010	1 Jan–31 Dec 2009
Loss on disposal of intangible and tangible assets	0.2	0.4
Customer finance related other expenses	24.5	26.1
Expenses from order cancellations	5.3	7.1
Other expenses	16.3	12.9
Total	**46.3**	**46.5**

Audit fees

MEUR	1 Jan–31 Dec 2010	1 Jan–31 Dec 2009
Annual audit	2.7	2.4
Other statements	0.0	0.0
Tax advice	0.9	0.7
Other services	0.5	0.7
Total	**4.1**	**3.8**

Operating profit includes in total EUR 20.6 (2009: -11.2) million of exchange rate differences arising from accounts receivable and payable, and EUR 0.8 (2009: -0.5) million of exchange rate differences on derivative instruments, on which hedge accounting is not applied.

Additionally, operating profit includes exhange rate diffences on forward contracts designated as cash flow hedges, totalling EUR 25.6 (2009: -36.2) million, of which EUR 22.9 (2009: -28.8) million in sales, EUR -2.3 (2009: -1.4) million in cost of goods sold, and the portion of ineffective hedges and released cash flow hedges related to cancelled projects, EUR 5.0 (2009: -5.9) million in other operating expenses.

8. Restructuring costs

1 Jan–31 Dec 2010 MEUR	Industrial & Terminal	Marine	Other	Total
Employment termination costs	6.0	0.4	0.0	6.3
Impairments of assets	1.3	0.0	0.1	1.4
Inventory write-downs	0.6	0.0	0.0	0.6
Gain (-) or loss (+) on sale of assets	-4.3	-	-	-4.3
Other restructuring costs *	4.7	-0.2	2.0	6.5
Total	**8.3**	**0.1**	**2.1**	**10.5**

1 Jan–31 Dec 2009 MEUR	Industrial & Terminal	Marine	Other	Total
Employment termination costs	36.1	1.7	1.1	38.9
Impairments of assets	0.5	-	-	0.5
Inventory write-downs	2.2	-	-	2.2
Gain (-) or loss (+) on sale of assets	-0.9	-	-	-0.9
Other restructuring costs *	5.3	0.2	14.8 **	20.4
Total	**43.2**	**1.9**	**15.9**	**61.1**

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

** Other restructuring costs include a write-off of receivables related to an unrealised acquisition, amounting to EUR 9.8 million.

Restructuring costs include, depending on their nature, in restructuring provisions or in accruals in the balance sheet. A part of the restructuring costs was paid before the year-end.

In September 2008, capacity adjustment measures began, mainly in Western Europe and North America, due to a fall in demand and profitability. During 2009 these measures were extended to Cargotec units all over the world. In 2009 factories were closed in Finland, United States, the Netherlands, Indonesia and Sweden. Alongside employee dismissals due to the factory closures, other units saw permanent employee reductions. Cargotec also began planning the conversion of the Tampere unit into a competence and technology centre, transferring the focus from traditional production to a developer of new products and an enabler of serial production.

Capacity adjustments and other restructuring measures that began in 2008 were finalised during the first quarter of 2010. As a result, the number of employees fell by approximately 3,200. At the end of 2010, Cargotec proceeded with its plans to transform its Tampere unit in Finland into a competence and technology centre. The plan is to change the focus of the Tampere unit from traditional manufacturing to the development of new products and solutions. Consequently, Cargotec initiated employee cooperation negotiations with current supply personnel in Tampere, on possible workforce reduction. Concluded in November, these saw a reduction of 90 employees from the production organisation in Tampere. This will be implemented in stages over the next 1.5 years. The restructuring costs in Industrial & Terminal include the sales profit from the disposal of Tampere real estate property. In addition, Cargotec sold land areas and properties freed up by restructuring measures in the USA, Sweden and Austria.

9. Personnel expenses

MEUR	1 Jan–31 Dec 2010	1 Jan–31 Dec 2009
Wages and salaries	362.5	350.9
Equity-settled share-based payments	0.8	0.4
Cash-settled share-based payments	0.2	0.1
Pension costs *	26.6	33.6
Other statutory employer costs	82.9	83.2
Total	**473.1**	**468.2**

* Pension costs are presented in more detail in Note 29, Employee benefits. Information on key management compensation is presented in Note 35, Related-party transactions and information on share-based payment transactions in Note 27, Share-based payments.

10. Depreciation, amortisation and impairment charges

Depreciation, amortisation and impairment by function

MEUR	1 Jan–31 Dec 2010	1 Jan–31 Dec 2009
Cost of goods sold	31.2	35.4
Sales and marketing	9.8	10.8
Research and development	2.7	1.2
Administration	10.7	7.4
Other	6.2	5.2
Total	**60.5**	**60.0**

Depreciation and amortisation by asset type

MEUR	1 Jan–31 Dec 2010	1 Jan–31 Dec 2009
Intangible assets	13.6	9.1
Buildings	8.7	9.1
Machinery & equipment	22.4	21.5
Finance lease agreements	0.6	0.9
Customer finance agreements	15.2	18.1
Total	**60.5**	**58.7**

Impairment charges by asset type

MEUR	1 Jan–31 Dec 2010	1 Jan–31 Dec 2009
Goodwill	-	-
Other intangible assets	-	-
Property, plant and equipment	0.1	1.3
Total	**0.1**	**1.3**

11. Financing income and expenses

Financing income

MEUR	1 Jan–31 Dec 2010	1 Jan–31 Dec 2009
Interest income on loans receivable and cash and cash equivalents	2.7	2.0
Interest income on derivative instruments	13.1	12.2
Other financing income	0.4	0.3
Dividend income on assets available for sale	0.0	0.0
Total	**16.2**	**14.5**

Financing expenses

MEUR	1 Jan–31 Dec 2010	1 Jan–31 Dec 2009
Interest expenses on financial liabilities measured at amortised cost	27.0	25.1
Capitalised borrowing costs	-0.2	-0.1
Interest expenses on derivative instruments	10.5	10.5
Change in fair value, forward contracts	3.0	-
Arrangement and commitment fees relating to interest-bearing loans	0.8	0.8
Other financing expenses	1.9	1.9
Exchange rate differences, net	3.1	3.4
Total	**46.1**	**41.6**

Exchange rate differences included in financing income and expenses

MEUR	1 Jan–31 Dec 2010	1 Jan–31 Dec 2009
Exchange rate differences on interest-bearing loans and receivables	-49.9	22.2
Exchange rate differences on derivative instruments	46.7	-25.6
Total	**-3.1**	**-3.4**

Interest expenses include EUR 2.4 million of premium paid on corporate bond buy-back in September 2010.

During 2010, Cargotec started to apply hedge accounting set up where fair value changes of all forward contracts, due to interest component, are recognised immediately in financial income and expenses.

12. Income taxes

Taxes in statement of income

MEUR	1 Jan–31 Dec 2010	1 Jan–31 Dec 2009
Current year tax expense	36.9	20.9
Deferred tax expense	-10.0	-44.5
Tax expense for previous years	-3.4	-10.3
Total	**23.4**	**-33.9**

Reconciliation of effective tax rate

MEUR	1 Jan–31 Dec 2010	1 Jan–31 Dec 2009
Income before taxes	101.4	-26.7
Tax calculated at domestic tax rate *	26.4	-7.0
Effect of different tax rates in foreign subsidiaries	4.6	0.4
Previous years' taxes	-3.4	-10.3
Tax exempt income and non-deductible expenses	-4.0	-16.0
Benefit arising from previously unrecognised tax losses and temporary differences	-0.1	0.0
Unrecognised current year tax losses and temporary differences	-0.8	4.9
Adjustments to previous years' deferred taxes	0.9	-6.3
Effect of changes in tax rates	-0.2	0.3
Total	**23.4**	**-33.9**
Effective tax rate, %	23.1%	126.7%

* The domestic (Finland) tax rate is 26% (2009: 26%).

Taxes relating to components of other comprehensive income

	1 Jan–31 Dec 2010			1 Jan–31 Dec 2009		
MEUR	Before tax	Taxes	After tax	Before tax	Taxes	After tax
Cash flow hedges	76.9	-19.1	57.8	43.1	-13.5	29.6
Translation differences	124.3	-34.7	89.6	20.5	-1.2	19.3
Total other comprehensive income	**201.2**	**-53.7**	**147.5**	**63.6**	**-14.6**	**49.0**

13. 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 financial period. Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding for the effect of all potential dilutive shares. 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. The option programme 2010 does not have dillutive effect to earnings per share for year 2010. Further information on the option programme is available in Note 27, Share-based payments.

	1 Jan–31 Dec 2010	1 Jan–31 Dec 2009
Net income attributable to the equity holders of the company, MEUR	74.2	3.1
Weighted average number of shares during financial period, ('000)	61,345	61,338
Basic earnings per share, EUR	**1.21**	**0.05**

	1 Jan–31 Dec 2010	1 Jan–31 Dec 2009
Net income attributable to the equity holders of the company, MEUR	74.2	3.1
Weighted average number of shares during financial period, ('000)	61,345	61,338
Effect of share options, ('000)	-	-
Diluted weighted average number of shares during financial period, ('000)	61,345	61,338
Diluted earnings per share, EUR	**1.21**	**0.05**

14. Goodwill

MEUR	2010	2009
Book value 1 Jan	689.6	669.2
Translation difference	61.3	26.1
Companies acquired	0.0	3.1 *
Other changes	-2.0	-8.8
Book value 31 Dec	**748.9**	**689.6**

* Includes EUR 2.2 million goodwill from the acquisition of minority interests.

Impairment testing of goodwill

MEUR	31 Dec 2010	31 Dec 2009
Industrial and Terminal	456.3	422.5
Marine	292.6	267.1
Total	**748.9**	**689.6**

Goodwill is impairment tested always when there is an indication that the current value may be impaired, or at least annually. Impairment testing of goodwill is carried out by allocating goodwill to the lowest level which generates independent cash flows. These levels have been identified according to the operative business organisation to be reporting segments. Due to the way the reporting segments are managed and organised, it is not possible to define independent cash flows for lower level product line divisions. Following the reorganisation of the operations, Hiab and Kalmar, which were impairment tested separately in 2009, have been merged into Industrial & Terminal segment. Operational integration of Offshore business into Marine has been finalised during 2010 and thus Offshore goodwill is no longer tested separately but is included to Marine goodwill.

The recoverable amounts of the cash generating units (CGU) are determined on the basis of value-in-use calculations. Cash flow projections cover 5 years, of which the last year is used to define the terminal value. The cash flow projections are based on next year's budget and the following three years' strategic forecasts approved by the Board of Directors and top management. The fifth year is added to the forecast period by extrapolating it on the basis of average development in the past and during the forecasted planning horizon, taking into account the cyclical nature of the CGU's business. Cash flows beyond the forecast period are projected by using a 2 percent long-term growth rate, which does not exceed the forecasted long-term growth rate of the CGUs. The key assumptions made by management in the projections relate to market and profitability outlooks. When estimating future growth, information available by external market research institutions on market development and timing of business cycles is used. Additionally, past performance, market share and growth potental in the market have been taken into account when defining sales growth. Keyfactors affecting profitability are sales volume, competitiveness and cost efficiency. The better average profitability of service business means that its relative share of sales also has an impact on profitability. Additionally in Industrial &Terminal segment the utilisation rate of factories and their cost competitiveness has a significant impact on profitability. When estimating profitability the significant restructuring measures implemented during 2008−2010 have been taken into account. Cash flow projections also reflect Industrial & Terminal's working capital build-up in upturns and release during downturns. Marine's business model ties very limited working capital, but timing of orders and related advances received have been taking into account in cash flow projections.

The discount rate used in the impairment testing is weighted average pre-tax cost of capital (WACC) defined for each segment. The discount rate reflects the total cost of equity and debt and the market risks related to the segment. The WACC components are risk-free rate, market risk premium, comparable peer industry beta, gearing and credit spread. The discount rate used in 2010 impairment tests has been defined in the same way as for 2009. The increase in credit spreads was compensated by a decrease in risk free interest rate. The pre-tax discount rate (WACC) used for Industrial & Terminal is 10,1 (2009: 9,8 for Hiab and 10,8 for Kalmar) percent and for Marine 9,5 (2009: 9,7) percent. As a result of the impairment tests no impairment loss has been recognised in 2010 nor in 2009.

Sensitivity analyses of the key assumptions have been prepared as part of the impairment testing process for each CGU separately. The key variables in the calculations are discount rate, sales, operating profit margin and a combined effect of all these. A summary of the assumptions and the effect of changes in are presented in the table below.

Impact to value-in-use (reduction)	Industrial & Terminal	Marine
2 %-point increase in discount rate (WACC)	20%	20%
10%-point lower sales and 2%-point lower operating profit margin	34%	29%
Simultaneous combined effect of the above mentioned changes	48%	43%

Based on the sensitivity analyses carried out management believes that no reasonably possible change in the key assumptions used would cause an impairment of goodwill.

15. Other intangible assets

2010 MEUR	Development costs	Trademarks	Patents and licences	Other *	Total
Acquisition cost 1 Jan	19.9	43.6	28.1	42.7	134.2
Translation difference	0.1	0.9	0.1	5.3	6.4
Additions	3.2	-	1.5	0.3	5.0
Disposals	-1.8	0.0	-0.6	0.0	-2.4
Reclassification	3.2	0.3	-0.2	-2.6	0.6
Companies acquired	-	-	-	-	-
Acquisition cost 31 Dec	**24.5**	**44.8**	**28.9**	**45.7**	**143.9**
Accumulated amortisation and impairment 1 Jan	-1.8	-2.0	-11.7	-24.0	-39.5
Translation difference	-	-0.2	-0.3	-1.8	-2.4
Amortisation during the financial period	-4.0	-0.8	-3.6	-5.2	-13.6
Impairment charges	-	-	-	-	0.0
Disposals	0.0	-	0.6	0.0	0.6
Reclassification	0.3	0.4	0.5	-0.5	0.6
Companies acquired	-	-	-	-	-
Accumulated amortisation and impairment 31 Dec	**-5.5**	**-2.6**	**-14.5**	**-31.5**	**-54.2**
Book value 1 Jan	18.1	41.6	16.3	18.7	94.7
Book value 31 Dec	19.0	42.2	14.4	14.1	89.7

2009 MEUR	Development costs	Trademarks	Patents and licences	Other *	Total
Acquisition cost 1 Jan	12.6	43.4	21.1	39.3	116.5
Translation difference	0.0	0.2	-0.2	1.1	1.1
Additions	5.8	-	7.0	1.7	14.6
Disposals	-0.1	-	-0.2	-2.9	-3.2
Reclassification	1.6	-	0.5	0.5	2.5
Companies acquired	-	-	-0.1	2.9	2.8
Acquisition cost 31 Dec	**19.9**	**43.6**	**28.1**	**42.7**	**134.2**
Accumulated amortisation and impairment 1 Jan	-0.7	-1.0	-8.7	-21.1	-31.5
Translation difference	-	-0.4	0.0	-0.7	-1.2
Amortisation during the financial period	-1.1	-0.6	-3.2	-4.1	-9.1
Impairment charges	-	-	-	-	0.0
Disposals	0.0	-	0.3	2.2	2.5
Reclassification	0.0	-	-0.1	0.0	-0.2
Companies acquired	-	-	0.0	-0.2	-0.1
Accumulated amortisation and impairment 31 Dec	**-1.8**	**-2.0**	**-11.7**	**-24.0**	**-39.5**
Book value 1 Jan	11.9	42.4	12.4	18.2	85.0
Book value 31 Dec	18.1	41.6	16.3	18.7	94.7

* Other intangible assets include service agreements, customer relationship and other intangible assets from business combinations.

The trademarks have been valued at fair value in connection with the acquisition. Some 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. The trademarks with indefinite useful life are impairment tested as a part of the appropriate cash generating unit (CGU). The process is described in more detail in Note 14, Goodwill. The book value of the intangible asset of indefinite useful life amounted 31 December 2010 to EUR 41.2 (31 Dec 2009: 40.0) million.

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.

16. Property, plant and equipment

2010 MEUR	Land	Buildings	Machinery & equipment	Fixed assets under construction	Advance payments	Total
Acquisition cost 1 Jan	14.0	180.2	432.6	28.6	2.3	657.6
Translation difference	0.9	13.4	25.4	1.6	0.1	41.4
Additions	0.8	2.3	34.3	19.8	0.0	57.2
Disposals	-3.1	-36.9	-28.0	-0.7	-	-68.7
Reclassification	1.0	26.3	5.0	-35.6	-2.4	-5.7
Companies acquired	0.6	0.0	-2.5	-	-	-1.9
Acquisition cost 31 Dec	**14.2**	**185.3**	**466.9**	**13.6**	**0.0**	**680.0**
Accumulated depreciation and impairment 1 Jan	-1.5	-70.3	-284.7	-	-	-356.4
Translation difference	-0.2	-4.9	-18.0	-	-	-23.1
Depreciation during the financial period	-0.1	-9.0	-39.4	-	-	-48.5
Impairment	0.0	-0.1	-	-	-	-0.1
Disposals	0.1	21.7	16.1	-	-	37.9
Reclassification	1.0	-1.5	0.7	-	-	0.2
Companies acquired	0.0	0.2	2.2	-	-	2.4
Accumulated depreciation and impairment 31 Dec	**-0.7**	**-63.8**	**-323.0**	**-**	**-**	**-387.6**
Book value 1 Jan	12.6	109.9	147.9	28.6	2.3	301.2
Book value 31 Dec	13.5	121.4	143.9	13.6	0.0	292.4

2009 MEUR	Land	Buildings	Machinery & equipment	Fixed assets under construction	Advance payments	Total
Acquisition cost 1 Jan	13.6	171.2	446.7	16.4	1.2	649.2
Translation difference	0.3	1.2	9.9	0.0	0.0	11.4
Additions	0.5	7.5	37.8	45.6	2.3	93.7
Disposals	-0.4	-24.4	-68.4	-0.7	-0.7	-94.6
Reclassification	0.0	24.7	6.5	-32.7	-0.5	-2.1
Companies acquired	-0.1	-	0.1	-	-	0.0
Acquisition cost 31 Dec	**14.0**	**180.2**	**432.6**	**28.6**	**2.3**	**657.6**
Accumulated depreciation and impairment 1 Jan	-1.2	-80.6	-283.9	-	-	-365.7
Translation difference	-0.1	-0.9	-6.3	-	-	-7.3
Depreciation during the financial period	-0.1	-9.6	-40.0	-	-	-49.6
Impairment	-	-1.0	-0.3	-	-	-1.3
Reclassification	0.0	21.8	45.9	-	-	67.7
Companies acquired	0.0	0.0	-0.2	-	-	-0.2
Companies sold	-	-	0.0	-	-	0.0
Accumulated depreciation and impairment 31 Dec	**-1.5**	**-70.3**	**-284.7**	**-**	**-**	**-356.4**
Book value 1 Jan	12.4	90.7	162.8	16.4	1.2	283.5
Book value 31 Dec	12.6	109.9	147.9	28.6	2.3	301.2

Capitalised borrowing costs

2010 MEUR	Buildings	Machinery & equipment	Advance payments and fixed assets under construction	Total
1 Jan	-	-	0.1	0.1
Increases	0.2	0.0	-	0.2
Decreses	-	-	-0.1	-0.1
31 Dec	**0.2**	**0.0**	**0.0**	**0.2**

Finance lease agreements

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

2010 MEUR	Buildings	Machinery & equipment	Total
Acquisition cost 1 Jan	5.7	3.6	9.4
Translation difference	0.2	0.5	0.7
Additions	0.0	0.5	0.5
Disposals	-0.7	-0.6	-1.3
Reclassification	0.4	0.0	0.4
Companies acquired	0.0	0.0	0.0
Acquisition cost 31 Dec	**5.6**	**4.0**	**9.6**
Accumulated depreciation and impairment 1 Jan	-3.0	-2.2	-5.2
Translation difference	-0.1	-0.3	-0.4
Depreciation during the financial period	-0.3	-0.3	-0.6
Impairment	-0.1	0.0	-0.1
Disposals	0.0	0.3	0.3
Companies acquired	-0.2	0.0	0.0
Reclassifications	0.0	0.0	0.0
Accumulated depreciation and impairment 31 Dec	**-3.7**	**-2.6**	**-6.0**
Book value 1 Jan	2.7	1.4	4.2
Book value 31 Dec	2.0	1.4	3.6

2009 MEUR	Buildings	Machinery & equipment	Total
Acquisition cost 1 Jan	6.0	4.2	10.2
Translation difference	0.1	0.3	0.4
Additions	1.9	0.3	2.1
Disposals	-2.2	-0.4	-2.6
Reclassification	0.0	-0.7	-0.7
Companies acquired	-	-	-
Acquisition cost 31 Dec	**5.7**	**3.6**	**9.4**
Accumulated depreciation and impairment 1 Jan	-2.9	-1.9	-4.9
Translation difference	0.0	-0.2	-0.2
Depreciation during the financial period	-0.6	-0.3	-0.9
Impairment	-1.0	-	-1.0
Disposals	1.5	0.1	1.6
Companies acquired	-	-	-
Reclassifications	0.0	0.1	0.1
Accumulated depreciation and impairment 31 Dec	**-3.0**	**-2.2**	**-5.2**
Book value 1 Jan	3.1	2.2	5.4
Book value 31 Dec	2.7	1.4	4.2

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	2010	2009
Acquisition cost 1 Jan	163.6	167.7
Translation difference	3.2	3.1
Additions	16.8	19.1
Disposals	-18.0	-26.8
Reclassification	-0.5	0.5
Companies acquired	0.1	-
Acquisition cost 31 Dec	**165.2**	**163.6**
Accumulated depreciation and impairment 1 Jan	-96.9	-87.0
Translation difference	-2.2	-1.8
Depreciation during the financial period	-15.2	-18.1
Disposals	8.5	10.0
Reclassification	0.2	-
Companies acquired	0.0	-
Accumulated depreciation and impairment 31 Dec	**-105.6**	**-96.9**
Book value 1 Jan	66.7	80.7
Book value 31 Dec	59.6	66.7

17. Investments in associated companies

MEUR	2010	2009
Book value 1 Jan	7.1	6.5
Translation difference	0.0	-0.3
Share of net income	0.5	0.8
Disposals	-1.7	-
Reclassification	-	-
Book value 31 Dec	**5.9**	**7.1**

On 31 December 2009 the book value of investments in associated companies includes EUR 2.8 million of goodwill. The book value of associated companies and joint ventures at the end of period does not include shares in publicly listed companies.

Associated companies

31 Dec 2010						Shareholding (%)	
MEUR	Country	Assets	Liabilities	Sales	Net income	Parent company	Group
Hymetal S.A.	France	5.0	3.4	9.2	-0.1	-	40.0
Montaje, Mantenimiento y Reformas de Instalaciones Portuarias, S.A.	Spain	6.3	2.9	12.0	1.5	-	30.0
Processiones, Superficiales y Aplicaciones, S.L.	Spain	0.7	0.4	2.3	0.0	-	30.0
Dalian Nurmi Hydraulics Co., Ltd. (until 28 May 2010)	China	-	-	3.0	0.3	-	-
Haida-MacGREGOR Jiangyin Sealing Co., Ltd	China	6.3	1.3	9.7	1.0	-	25.0
MacGREGOR - Yingke Marine Equipment Design & Consulting (Shanghai) Co., Ltd.	China	0.2	0.0	0.5	0.0	-	25.0

On 31 December 2010, in addition to companies mentioned above, Cargotec had holdings in 2 associated companies.

31 Dec 2009						Shareholding (%)	
MEUR	Country	Assets	Liabilities	Sales	Net income	Parent company	Group
Hymetal S.A.	France	7.1	5.6	16.4	0.2	-	40.0
Haida-MacGREGOR Jiangyin Sealing Co., Ltd	China	5.2	1.1	8.0	0.9	-	25.0
Montaje, Mantenimiento y Reformas de Instalaciones Portuarias, S.A.	Spain	7.0	4.2	14.7	0.8	-	30.0
Processiones, Superficiales y Aplicaciones, S.L.	Spain	0.7	0.4	0.0	0.1	-	30.0
Dalian Nurmi Hydraulics Co., Ltd.	China	7.6	0.9	8.3	0.8	25.0	25.0
MacGREGOR - Yingke Marine Equipment Design & Consulting (Shanghai) Co., Ltd.	China	0.2	0.0	0.6	0.0	-	25.0

On 31 December 2009, in addition to companies mentioned above, Cargotec had holdings in 2 associated companies.
The figures presented in the tables above are based on the latest available financial statements.

18. Investments in joint ventures

MEUR	2010	2009
Book value 1 Jan	0.4	0.5
Translation difference	0.1	0.0
Share of net income	0.1	-0.1
Book value 31 Dec	**0.6**	**0.4**

The book value of joint ventures at the end of period does not include shares in publicly listed companies.

Joint ventures

						Shareholding (%)	
31 Dec 2010 MEUR	Country	Assets	Liabilities	Sales	Net income	Parent company	Group
Kalmar (Malaysia) Sdn. Bhd.	Malaysia	7.8	6.9	9.8	0.2	-	50.0
Starmax V.O.F	The Netherlands	0.2	0.0	0.0	0.0	-	50.0
MacGREGOR Vinashin Marine Equipment Company Limited	Vietnam	0.2	-	-	0.0	-	49.0

						Shareholding (%)	
31 Dec 2009 MEUR	Country	Assets	Liabilities	Sales	Net income	Parent company	Group
Kalmar (Malaysia) Sdn. Bhd.	Malaysia	5.6	4.1	10.3	0.0	-	50.0
Starmax V.O.F	The Netherlands	1.9	2.2	8.5	-0.1	-	50.0
MacGREGOR Vinashin Marine Equipment Company Limited	Vietnam	0.2	-	-	0.0	-	49.0

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

19. Non-current available-for-sale investments

MEUR	2010	2009
Book value 1 Jan	1.5	2.0
Translation difference	0.0	0.1
Additions	2.8	0.0
Disposals	0.0	-0.6
Reclassification	0.0	-
Companies acquired	-	-
Book value 31 Dec	**4.3**	**1.5**

Non-current available-for-sale investments include unlisted shares (mainly shares in holiday, tennis and golf clubs), 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.

20. Deferred tax assets and liabilities

Deferred tax assets

MEUR	1 Jan 2010	Charged to the statement of income	Charged to other comprehensive income items	Translation difference	Acquired/sold companies	31 Dec 2010
Tax losses carried forward	65.7	0.3	-	2.8	-	68.8
Provisions	10.8	-0.9	-	0.5	-	10.4
Depreciation difference	2.2	-0.2	-	0.0	-	2.0
Pensions	3.3	-0.2	-	0.3	-	3.4
Consolidation entries	5.3	3.0	-	0.0	-	8.3
Change in fair value	14.4	-0.2	-11.7	1.4	-	3.9
Other temporary differences for assets	28.1	5.3	-10.0	3.2	-	26.5
Total	**129.7**	**7.0**	**-21.7**	**8.3**	**-**	**123.2**
Offset deferred tax liabilities *	-15.8	-3.3	-	-0.4	-	-19.6
Total, net	**113.9**	**3.7**	**-21.7**	**7.8**	**-**	**103.6**

Deferred tax liabilities

MEUR	1 Jan 2010	Charged to the statement of income	Charged to other comprehensive income items	Translation difference	Acquired/sold companies	31 Dec 2010
Depreciation difference	3.2	1.1	-	0.4	-	4.7
Goodwill amortisation	7.2	1.6	-	0.6	-	9.3
Allocation of fair value on acquisitions	9.6	-0.6	-	0.4	-0.6	8.9
Research and development	2.9	-0.3	-	0.0	-	2.5
Change in fair value	7.0	-0.2	8.7	0.4	-	15.8
Other temporary differences for liabilities	15.6	-4.6	24.6	1.3	-	36.9
Total	**45.5**	**-3.1**	**33.3**	**3.1**	**-0.6**	**78.3**
Offset deferred tax assets *	-15.8	-3.3	-	-0.4	-	-19.6
Total, net	**29.7**	**-6.4**	**33.3**	**2.6**	**-0.6**	**58.7**

Deferred tax assets

MEUR	1 Jan 2009	Charged to the statement of income	Charged to other comprehensive income items	Translation difference	Acquired/sold companies	31 Dec 2009
Tax losses carried forward	23.3	41.2	-	1.3	-	65.7
Provisions	18.1	-7.0	-	-0.3	-	10.8
Depreciation difference	1.4	0.9	-	-0.1	-	2.2
Pensions	3.7	-0.5	-	0.2	-	3.3
Consolidation entries	7.0	-1.7	-	0.0	-	5.3
Change in fair value	34.4	-0.1	-19.9	0.0	-	14.4
Other temporary differences for assets	13.9	14.8	-	-0.5	-	28.1
Total	**101.7**	**47.5**	**-19.9**	**0.4**	**-**	**129.7**
Offset deferred tax liabilities *	-4.5	-10.6	-	-0.8	-	-15.8
Total, net	**97.2**	**36.9**	**-19.9**	**-0.3**	**-**	**113.9**

Deferred tax liabilities

MEUR	1 Jan 2009	Charged to the statement of income	Charged to other comprehensive income items	Translation difference	Acquired/sold companies	31 Dec 2009
Depreciation difference	2.7	-0.2	-	0.7	-	3.2
Goodwill amortisation	4.6	3.1	-	-0.5	-	7.2
Allocation of fair value on acquisitions	8.9	-1.0	-	1.0	0.7	9.6
Research and development	2.8	0.1	-	0.0	-	2.9
Change in fair value	13.2	0.3	-6.4	0.0	-	7.0
Other temporary differences for liabilities	15.2	0.7	1.2	-1.5	-	15.6
Total	**47.4**	**3.0**	**-5.2**	**-0.3**	**0.7**	**45.5**
Offset deferred tax assets *	-4.5	-10.6	-	-0.8	-	-15.8
Total, net	**43.0**	**-7.6**	**-5.2**	**-1.1**	**0.7**	**29.7**

*) Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. On 31 December 2010 Cargotec had EUR 31.4 (31 Dec 2009: 45.3) million of tax losses carried forward of which no deferred tax assets were recognised because the realisation of the tax benefit is not probable. Tax losses of EUR 16.7 (31 Dec 2009: 14.2) million will expire during the next five years and the rest EUR 14.7 (31 Dec 2009: 31.1) million have no expiry date or it will expire after five years.

A deferred tax liability on undistributed profits of subsidiaries located in countries where distribution generates tax consequences is recognised when it is likely that earnings will be distributed in the near future.

21. Inventories

MEUR	31 Dec 2010	31 Dec 2009
Raw materials and supplies	214.5	194.3
Work in progress	294.4	256.2
Finished goods	159.3	138.5
Advance payments paid for inventories	10.6	20.3
Total	**678.8**	**609.3**

Obsolescence allowances of inventories to net realisable value were EUR 76.0 (31 Dec 2009: 59.0) million during the period.

22. Financial instruments by category

Book value by category of financial assets

31 Dec 2010 MEUR	Loans and receivables at amortised cost	Available-for-sale financial assets	Assets at fair value through the statement of income, derivatives	Total
Non-current financial assets				
Interest-bearing receivables	7.7	-	-	7.7
Available-for-sale investments	-	4.3	-	4.3
Derivative assets	-	-	20.0	20.0
Other non-interest-bearing receivables	5.1	-	-	5.1
Total	**12.8**	**4.3**	**20.0**	**37.1**
Current financial assets				
Loans receivable	5.0	-	-	5.0
Derivative assets	-	-	73.5	73.5
Accounts receivable and other non-interest-bearing receivables	437.4	-	-	437.4
Cash and cash equivalents	317.7	-	-	317.7
Total	**760.1**	**-**	**73.5**	**833.6**
Total financial assets	**772.9**	**4.3**	**93.5**	**870.7**

31 Dec 2009 MEUR	Loans and receivables at amortised cost	Available-for-sale financial assets	Assets at fair value through the statement of income, derivatives	Total
Non-current financial assets				
Interest-bearing receivables	7.4	-	-	7.4
Available-for-sale investments	-	1.5	-	1.5
Derivative assets	-	-	9.1	9.1
Other non-interest-bearing receivables	8.0	-	-	8.0
Total	**15.4**	**1.5**	**9.1**	**26.0**
Current financial assets				
Loans receivable	2.9	-	-	2.9
Derivative assets	-	-	38.8	38.8
Accounts receivable and other non-interest-bearing receivables	429.3	-	-	429.3
Cash and cash equivalents	266.6	-	-	266.6
Total	**698.8**	**-**	**38.8**	**737.7**
Total financial assets	**714.3**	**1.5**	**47.9**	**763.7**

Book value by category of financial liabilities

31 Dec 2010 MEUR	Financial liabilities at amortised cost	Liabilities at fair value through the statement of income, derivatives	Total
Non-current financial liabilities			
Interest-bearing liabilities	403.8	-	403.8
Derivative liabilities	-	3.9	3.9
Other non-interest-bearing liabilities	33.7	-	33.7
Total	**437.5**	**3.9**	**441.4**
Current financial liabilities			
Interest-bearing liabilities	96.5	-	96.5
Derivative liabilities	-	38.6	38.6
Accounts payable and other non-interest-bearing liabilities	318.0	-	318.0
Total	**414.6**	**38.6**	**453.2**
Total financial liabilities	**852.1**	**42.6**	**894.6**

31 Dec 2009 MEUR	Financial liabilities at amortised cost	Liabilities at fair value through the statement of income, derivatives	Total
Non-current financial liabilities			
Interest-bearing liabilities	511.2	-	511.2
Derivative liabilities	-	28.4	28.4
Other non-interest-bearing liabilities	28.6	-	28.6
Total	**539.9**	**28.4**	**568.2**
Current financial liabilities			
Interest-bearing liabilities	83.0	-	83.0
Derivative liabilities	-	58.0	58.0
Accounts payable and other non-interest-bearing liabilities	247.9	-	247.9
Total	**330.9**	**58.0**	**388.9**
Total financial liabilities	**870.8**	**86.4**	**957.2**

Assets and liabilities at fair value through the statement of income consist solely of currency forwards and cross-currency swaps. In the fair value hierarchy, in accordance with IFRS 7.27, these derivative contracts are classified at level 2, i.e. valuation is based on observable inputs.

Other row items are recognised at amortised cost. Information on their fair values is presented under each respective note.

23. Accounts receivable and other non-interest-bearing receivables

Non-current receivables

MEUR	31 Dec 2010	31 Dec 2009
Non-current non-interest-bearing assets	5.1	8.0

Current receivables

MEUR	31 Dec 2010	31 Dec 2009
Accounts receivable	384.3	349.6
Receivables from construction contracts	47.1	73.9
Deferred interests	4.6	4.3
Other deferred assets	110.3	78.3
Total	**546.3**	**506.1**

The Company has deducted EUR 19.8 (31 Dec 2009: 18.8) million for doubtful accounts from accounts receivable.

Ageing analysis of accounts receivable

MEUR	31 Dec 2010	31 Dec 2009
Not due	270.7	251.0
1−90 days overdue	89.9	79.0
91−360 days overdue	19.1	19.1
Over 360 days overdue	4.7	0.5
Total	**384.3**	**349.6**

Credit loss provisions, classified into ageing analysis of accounts receivable

MEUR	31 Dec 2010	31 Dec 2009
Not due	-	-
1−90 days overdue	0.5	0.7
91−360 days overdue	7.3	7.9
Over 360 days overdue	11.9	10.2
Total	**19.8**	**18.8**

24. Cash and cash equivalents

MEUR	31 Dec 2010	31 Dec 2009
Cash at bank and on hand	155.2	86.9
Short-term deposits	162.4	179.8
Total	**317.7**	**266.6**

Cash and cash equivalents in the statement of cash flows

MEUR	31 Dec 2010	31 Dec 2009
Cash and cash equivalents	317.7	266.6
Bank overdrafts used	-14.1	-14.1
Cash and cash equivalents in the statement of cash flows	**303.6**	**252.5**

25. Non-current assets held for sale

Property, plant and equipment

Non-current assets held for sale include real estate property held for sale. It is measured according to IFRS 5 at the lower of its carrying amount and fair value less costs to sell. The book value of the real estate property amounts to EUR 0.4 million.

Non-current assets held for sale do not include liabilities.

26. Equity

Total equity consists of share capital, share premium account, translation differences, fair value reserves, reserve for invested unrestricted equity, retained earnings and non-controlling interest. The amount exceeding the accounting par value of shares received by the company in connection with share subscriptions was recorded in share premium account if the options had been decided on under the old Limited Liability Companies Act (29 Sep 1978/734). Under the new Limited Liability Companies Act (21 Jul 2006/624), when the stock options are exercised, the amount received is recorded in the reserve for invested unrestricted equity. Translation differences caused by translation of foreign companies' financial statements are included in translation differences. Also exchange rate changes of the intracorporate loan agreements that form part of a net investment, are recognised in translation differences under equity. Fair value reserve 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 as well as changes in treasury shares owned by the company are 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. Cargotec class B shares are quoted on the NASDAQ OMX Helsinki. Cargotec's share capital is fully paid up.

In the Shareholders' Meeting, each class A share carries one vote, as does each set of ten class B shares, with the provision that each shareholder is entitled to at least one vote. According to the Articles of Association, class B shares earn a higher dividend in dividend distribution than Class A shares. The difference between dividends paid on the two classes of shares is a minimum of one (1) cent and a maximum of two and a half (2.5) cents.

At the end of 2010, Cargotec held 2,959,487 (31 Dec 2009: 2,959,487) class B shares as treasury shares. During the current financial period and previous period no own shares were purchased. During the previous financial period 31,328 Cargotec's class B shares were disposed free of charge as a part of Cargotec's share-based incentive programme. 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 1 Jan 2009	9,526,089	54,778,191	64,304,280
Share subscription with option rights		600	600
Number of shares 31 Dec 2009	**9,526,089**	**54,778,791**	**64,304,880**
Treasury shares disposed		31,238	31,238
Treasury shares 31 Dec 2009		-2,959,487	-2,959,487
Number of shares outstanding 31 Dec 2009	**9,526,089**	**51,819,304**	**61,345,393**
Number of shares 1 Jan 2010	9,526,089	54,778,791	64,304,880
Number of shares 31 Dec 2010	**9,526,089**	**54,778,791**	**64,304,880**
Treasury shares 31 Dec 2010		-2,959,487	-2,959,487
Number of shares outstanding 31 Dec 2010	**9,526,089**	**51,819,304**	**61,345,393**

Dividend distribution

After 31 December 2010 the following dividends were proposed by the Board of Directors to be paid: EUR 0.60 per each class A share and EUR 0.61 per each class B share in circulation, a total of EUR 37,325,428.84.

27. Share-based payments

Share-based incentive programme 2007-2010

In January 2007 Cargotec published a share-based incentive programme for the key management for the period 2007−2011 covering approximately 60 persons. The first earnings period lasted two years (2007–2008) and the following three periods one year each. In March 2009 a reward was paid for the achievement of the targets in earnings period 2007−2008. The criteria set for the second earnings period (2009) was not met and the remaining earnings periods (2010 and 2011) were cancelled. According to the program the reward for the first earnings period was paid in both class B shares and cash. The cash payment covered taxes and tax-related payments resulting from the reward. The reward was based on the achievement of sales and operating profit targets for the earnings period. A total of 31,356 class B shares of the maximum 135,825 shares were rewarded for the achievement of the targets. The maximum amount of class B shares originally reserved for the programme was 387,500. A prohibition applied to shares distributed as reward, on handing over or selling the shares within one year of the end of the earnings period in question. The shares were also lost if the holder left the company before the prohibition period ended and a total of 118 shares were returned to the company by the end of 2009. The share price at the grant date was EUR 45.14.

Share-based incentive programme 2010

In March 2010, the Board of Directors decided to establish a new share-based incentive programme for the executives of the company. The programme includes three earnings periods, each of them lasting three calendar years, and they commence in 2010, 2011 and 2012. The Board of Directors will decide on the target group, earnings criteria and on targets to be established for them, as well as on the maximum amount of the payable reward for each earnings period and for each participant. The potential payment will be paid in 2013, 2014 and 2015 partly in Cargotec's class B shares and partly in cash. A maximum total of 150,000 class B shares and a cash payment for taxes and tax-related costs arising from the rewards shall be given as reward on the basis of the entire Programme. The amount of cash payment shall correspond to the registration date value of the shares to be given, in the maximum. The reward from the programme shall be paid to the executives as a combination of shares and a cash payment after the end of an earning period, by the end of April. If the employment terminates before the share payment, the participant will lose the right to the share reward. Additionally a prohibition applies to shares distributed as reward, on handing over or selling the shares within two years after the end of an earning period in question. The shares are also lost if the holder leaves the company before the prohibition period ends.

The target group fot the first earnings period covers the twelve members of Cargotec's Executive Board. Earnings criteria for the earnings period 2010–2012 are Cargotec's operating profit margin and sales of the fiscal year 2012. The reward to be paid on the basis of the earnings period 2010–2012 will correspond to a maximum total of 50,000 Cargotec class B shares, of which 47,000 have been granted by the end of the financial period 2010. The fair value of the share at the grant date 9 March 2010 was determined to EUR 18.15. As the option holder is not entitled to receive dividend payments during the earnings period, expected dividends have been deducted from the grant date share value when determining the fair value. Share value at grant date was EUR 21.27. Fair value of the cash payment is estimated at each closing date until the end of the earnings period and thus the fair value of the liability will change according to the changes in Cargotec's class B share value.

Option programme 2010

The Annual General Meeting of 5 March 2010 confirmed that stock options will be issued to the key personnel of Cargotec and its subsidiaries as part of Cargotec's incentive and commitment system. Option rights are given free of charge. The maximum total number of stock options issued will be 1,200,000, and they entitle to subscribe for a maximum total of 1,200,000 new series B shares in Cargotec or existing series B shares held by Cargotec. Cargotec shall, prior to the beginning of the share subscription period, announce whether the subscription right is directed at a new share or an existing share. Of the stock options, 400,000 are marked with the symbol 2010A, 400,000 are marked with the symbol 2010B and 400,000 are marked with the symbol 2010C. The Board of Directors will decide on the option issuance on an annual basis, in the spring of the years 2010, 2011 and 2012. The beginning of the share subscription period requires attainment of targets established for a performance criterion determined by the Board of Directors annually. Those stock options, for which the targets have not been attained, will expire. Continued employment at the Cargotec Corporation is a basic requirement of participating in the option plan. If the employment terminates before the share subscription period has begun, the participant will lose the right to the options.

The share subscription period with the option rights is:
- for stock option 2010A 1 April 2013−30 April 2015
- for stock option 2010B 1 April 2014−30 April 2016
- for stock option 2010C 1 April 2015−30 April 2017.

The share subscription price with the stcok options is:
- for stock option 2010A, the trade volume weighted average quotation of the share on the NASDAQ OMX Helsinki Ltd. during 8 March−19 March 2010 (EUR 21.35)
- for stock option 2010B, the trade volume weighted average quotation of the share on the NASDAQ OMX Helsinki Ltd. during two full weeks following Cargotec’s Annual General Meeting in 2011
- for stock option 2010C, the trade volume weighted average quotation of the share on the NASDAQ OMX Helsinki Ltd. during two full weeks following Cargotec’s Annual General Meeting in 2012

From the share subscription price of the stock options, shall be deducted the amount of the dividend or the amount of the distributable unrestricted equity decided after the beginning of the period for determination of the share subscription price but before share subscription, as per the dividend record date or the record date of the repayment of equity.

In the spring of 2010, 2010A option rights were issued to 54 persons, including the members of Cargotec's Executive Board. With the 2010A option right, the original share subscription price is EUR 21.35 per share. The annual dividends paid will be deducted from the subscription price. The 2010A option rights entitle their holders to subscribe for a total of 400,000 class B shares of Cargotec, either new or treasury shares held by the company. At the financial period closing date 31 Dec 2010, the number of granted stock options rights was 359,500.

Cargotec's Board of Directors decided that if the company's operating profit for 2010 remains below EUR 100 million, the share subscription period for the 2010A option rights will not commence. If the operating profit equals or exceeds EUR 100 million but remains below EUR 120 million, the share subscription period will commence so that half of the 2010A option rights may be exercised. If the operating profit for the financial year 2010 equals or exceeds EUR 120 million, the share subscription period will commence and apply to all 2010A option rights.

The operating profit target for 2010 having been fullfilled, share subscription will begin in April 2013 covering all 2010A stock options issued, as per programme terms and conditions.

The fair value of the option right has been determined using the Black-Scholes option pricing model. The fair value for 2010A option right was determined to EUR 8.82. The key assumptions used to determine the fair value for the option rights granted in financial period 2010 are listed in the table below:

	2010
Class B share value at grant, EUR	20.34
Subscription price, EUR	21.35
Expected volatility, %	48.4
Vesting period, years	5.12
Riskt-free interest rate, %	2.12
Expected dividends, EUR	-
Fair value of the option, EUR	8.82
Expected volatility, %	7.0

Option rights 2005A and 2005B

Share subscription period with 2005A option rights ended on 31 March 2008 and with 2005B option rights on 31 March 2009. During the subscription period 216,555 Cargotec's class B shares were subscribed with 2005A option rights and 333,570 shares with 2005B option rights. The unused option rights were expired and they were removed from the holders' securities account. The weighted average share price at the dates of exercise of share options in financial period 2009 was EUR 7.27.

Changes in the number of options outstanding

Number of option rights	2010A 2010	2005B 2009
Number of options outstanding 1 Jan	-	34,910
Granted option rights	372,000	-
Forfeited option rights	12,500	
Exercised option rights	-	-200
Expired option rights	-	-34,710
Number of option rights outstanding 31 Dec	**359,500**	**-**
Option rights in stock 31 Dec	40,500	
Exercisable option rights 31 Dec	400,000	-

Information on share-based payments recognised as expense in the statement of income is presented in Note 9, Personnel expenses.

28. Interest-bearing liabilities

Book value of interest-bearing liabilities

MEUR	31 Dec 2010	31 Dec 2009
Non-current		
Loans from financial institutions	155.7	200.7
Corporate bonds	246.2	307.6
Finance lease liabilities	1.8	2.9
Total	**403.8**	**511.2**
Current portion of long-term loans		
Loans from financial institutions	40.4	20.2
Finance lease liabilities	0.7	2.7
Total	**41.1**	**23.0**
Current		
Loans from financial institutions	41.3	45.9
Bank overdrafts used	14.1	14.2
Total	**55.4**	**60.1**
Total interest-bearing liabilities	**500.3**	**594.3**

On 31 December 2010, the average interest rate of long-term loans and corporate bonds after hedging of USD denominated corporate bonds through cross-currency and interest rate swaps, was 3.6 (31 Dec 2009: 3.4) percent. The average interest rate of short-term loans was 3.7 (31 Dec 2009: 4.6) percent.

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

Corporate bonds

31 Dec 2010	Coupon rate, %	Nominal value	Fair value, MEUR	Book value, MEUR
2005–2012	3.8	22.2 MEUR	22.9	22.2
2007–2014	5.4	95.0 MUSD	80.1	71.0
2007–2017	5.6	120.0 MUSD	106.1	89.6
2007–2019	5.7	85.0 MUSD	76.7	63.5

31 Dec 2009	Coupon rate, %	Nominal value	Fair value, MEUR	Book value, MEUR
2005–2012	3.8	100.0 MEUR	104.5	99.9
2007–2014	5.4	95.0 MUSD	65.9	65.8
2007–2017	5.6	120.0 MUSD	95.7	83.1
2007–2019	5.7	85.0 MUSD	68.7	58.8

Interest-bearing liabilities per currency

MEUR	31 Dec 2010	31 Dec 2009
USD *	225.0	208.2
EUR	223.8	307.5
CNY	40.6	41.6
SEK	-	20.4
Other	10.9	16.5
Total	**500.3**	**594.3**

* 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	31 Dec 2010	31 Dec 2009
Minimum lease payments		
Less than 1 year	0.7	2.9
1–5 years	1.5	2.4
Over 5 years	0.9	1.0
Total	**3.1**	**6.3**
Future finance charges	-0.6	-0.6
Present value of finance lease liabilities	**2.5**	**5.7**

Present value of minimum lease payments

MEUR	31 Dec 2010	31 Dec 2009
Less than 1 year	0.7	2.7
1–5 years	1.1	2.2
Over 5 years	0.7	0.8
Present value of finance lease liabilities	**2.5**	**5.7**

29. Employee benefits

Cargotec has various employee benefit plans throughout the world. Pension arrangements are made in accordance with local regulations and practises 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 company has 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, Norway and Sweden. Defined benefit pension plans are funded by the relevant group companies to satisfy local statutory funding requirements. The rate used to discount post-employment benefit obligations (both funded and unfunded) shall be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields (at the end of the reporting period) on government bonds shall be used. The currency and term of the corporate bonds or government bonds shall be consistent with the currency and estimated term of the post-employment benefit obligations.

Amounts recognised in statement of financial position

	Defined benefit plans		Other post-employment benefits		Total	
MEUR	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
Present value of unfunded obligations	38.8	24.0	-	-	38.8	24.0
Present value of funded obligations	33.4	45.6	-	-	33.4	45.6
Fair value of benefit plans' assets	-24.6	-24.2	-	-	-24.6	-24.2
Unrecognised actuarial gains (+) /losses (-)	-2.7	-7.6	-	-	-2.7	-7.6
Unrecognised past service costs	0.4	-	-	-	0.4	-
Total	**45.2**	**37.8**	**-**	**-**	**45.2**	**37.8**

Movement in the benefit obligation

	Defined benefit plans		Other post-employment benefits		Total	
MEUR	2010	2009	2010	2009	2010	2009
Benefit obligation 1 Jan	69.5	53.1	-	-	69.5	53.1
Current service costs	6.1	4.8	-	-	6.1	4.8
Interest costs	3.0	3.0	-	-	3.0	3.0
Contributions by plan participants	0.7	-0.7	-	-	0.7	-0.7
Net actuarial gains (-)/losses (+) recognised	-0.7	2.1	-	-	-0.7	2.1
Translation difference	-1.0	10.4	-	-	-1.0	10.4
Unrecognised past service costs	0.5	-	-	-	0.5	-
Benefits paid	-5.4	-3.1	-	-	-5.4	-3.1
Settlements	-0.2	-	-	-	-0.2	-
Curtailments	-0.3	0.0	-	-	-0.3	0.0
Benefit obligation 31 Dec	**72.1**	**69.5**	**-**	**-**	**72.1**	**69.5**

Movement in the fair value of plan assets

	Defined benefit plans		Other post-employment benefits		Total	
MEUR	2010	2009	2010	2009	2010	2009
Plan assets 1 Jan	24.2	18.3	-	-	24.2	18.3
Expected return on plans assets	1.5	1.8	-	-	1.5	1.8
Net actuarial gains (-)/losses (+) recognised	0.8	0.3	-	-	0.8	0.3
Translation difference	-2.5	4.0	-	-	-2.5	4.0
Employer contribution	1.5	1.3	-	-	1.5	1.3
Employee contribution	0.1	-0.2	-	-	0.1	-0.2
Benefits paid	-0.9	-1.3	-	-	-0.9	-1.3
Settlements	0.0	-	-	-	0.0	-
Plan assets 31 Dec	**24.6**	**24.2**	**-**	**-**	**24.6**	**24.2**

Pensions recognised in statement of income

MEUR	1 Jan–31 Dec 2010	1 Jan–31 Dec 2009
Defined contribution pension plans	18.8	25.4
Defined benefit pension plans	7.8	8.3
Other post-employment benefits	-	-
Total	**26.6**	**33.6**

Defined benefit plans

MEUR	1 Jan–31 Dec 2010	1 Jan–31 Dec 2009
Current service costs	6.1	4.8
Interest costs	3.0	3.0
Expected return on plan assets	-1.5	-1.8
Net actuarial gains (-)/losses (+) recognised	0.3	1.8
Past-service costs	0.2	0.6
Gains/loss curtailments	-0.3	0.0
Total	**7.8**	**8.3**

Defined benefit plans: Assumptions used in calculating benefit obligations

	2010		2009	
MEUR	Europe	USA	Europe	USA
Discount rate, %	3.2–5.3	5.0	3.75–6.0	5.0–6.25
Expected return on plan assets, %	4.0–5.4	-	4.0–5.6	7.0
Future salary increase, %	2.0–4.0	0.0	2.0–4.0	0.0
Future pension increase, %	0.0–4.0	-	1.5–4	-
Expected average remaining working years	6–34	12	3–17	-

30. Provisions

2010 MEUR	Provision for warranty	Provision for claims	Provision for restructuring	Provision for loss contracts	Other provisions	Total
Total provision 1 Jan	52.9	3.6	9.9	8.0	10.8	85.2
Translation difference	4.5	0.3	0.2	0.7	0.1	5.7
Increase	31.2	1.8	5.8	10.8	0.7	50.3
Provision used	-19.2	-2.2	-6.5	-5.7	-0.2	-33.8
Reversal of provision	-15.6	-0.9	-0.4	-0.9	0.1	-17.6
Companies acquired/sold	-	-	-	-	-	-
Total provision 31 Dec	**53.8**	**2.6**	**9.1**	**12.9**	**11.6**	**89.9**

2009 MEUR	Provision for warranty	Provision for claims	Provision for restructuring	Provision for loss contracts	Other provisions	Total
Total provision 1 Jan	68.0	2.3	3.6	7.0	24.0	105.0
Translation difference	1.7	-0.1	-	0.0	0.0	1.6
Increase	19.4	2.4	16.5	6.1	1.2	45.6
Provision used	-28.2	-0.9	-9.2	-3.0	-1.1	-42.5
Reversal of provision	-8.1	-0.1	-1.0	-2.1	-13.2	-24.5
Companies acquired/sold	-	-	-	-	-	-
Total provision 31 Dec	**52.9**	**3.6**	**9.9**	**8.0**	**10.8**	**85.2**

MEUR	31 Dec 2010	31 Dec 2009
Non-current provisions	24.9	19.0
Current provisions	65.1	66.2
Total	**89.9**	**85.2**

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.

More information on estimation of provisions can be found in Note 2, Management estimates.

31. Accounts payable and other non-interest-bearing liabilities

Non-current liabilities

MEUR	31 Dec 2010	31 Dec 2009
Other non-interest-bearing liabilities	24.2	28.6

Current liabilities

MEUR	31 Dec 2010	31 Dec 2009
Accounts payable	308.2	198.4
Accrued interests	14.8	15.9
Share-based incentives	0.3	0.0
Accrued salaries, wages and employment costs	83.4	70.0
Advance rents, customer finance	22.8	22.9
Project costs	100.6	96.2
Other accrued expenses	122.7	161.5
Total	**652.8**	**564.8**

32. Commitments

MEUR	31 Dec 2010	31 Dec 2009
Guarantees	0.5	0.5
Dealer financing	0.0	0.1
End customer financing	8.9	10.3
Operating leases	69.5	49.1
Other contingent liabilities	3.5	3.7
Total	**82.3**	**63.7**

Cargotec Corporation has guaranteed obligations of Cargotec companies, arising from ordinary course of business, up to a maximum of EUR 474.4 (31 Dec 2009: 554.7) million.

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

The future minimum lease payments under non-cancellable operating leases

MEUR	31 Dec 2010	31 Dec 2009
Less than 1 year	16.1	13.1
1–5 years	34.3	23.0
Over 5 years	19.1	13.1
Total	**69.5**	**49.1**

The aggregate operating lease expenses totaled EUR 17.7 (2009: 14.7) million.

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

33. Derivatives

Fair values of derivative financial instruments

31 Dec 2010 MEUR	Positive fair value	Negative fair value	Net fair value
FX forward contracts	80.1	42.6	37.5
Cross currency and interest rate swaps	13.4	-	13.4
Total	**93.5**	**42.6**	**50.9**
Non-current portion			
FX forward contracts	6.6	3.9	2.7
Cross currency and interest rate swaps	13.4	-	13.4
Non-current portion	**20.0**	**3.9**	**16.1**
Current portion	**73.5**	**38.6**	**34.8**

31 Dec 2009 MEUR	Positive fair value	Negative fair value	Net fair value
FX forward contracts	47.9	76.5	-28.6
Cross currency and interest rate swaps	-	9.9	-9.9
Total	**47.9**	**86.4**	**-38.5**
Non-current portion			
FX forward contracts	9.1	18.4	-9.4
Cross currency and interest rate swaps,	-	9.9	-9.9
Non-current portion	**9.1**	**28.4**	**-19.3**
Current portion	**38.8**	**58.0**	**-19.2**

Cross currency and interest rate swaps hedge the US Private Placement corporate bond funded in February 2007 and maturing in years 2014 to 2019. Majority of the highly probable cash flows hedged by FX forward contracts realise within 2 years.

Nominal values of derivative financial instruments

MEUR	31 Dec 2010	31 Dec 2009
FX forward contracts	3,017.3	2,386.5
Cross currency and interest rate swaps	225.7	225.7
Total	**3,243.1**	**2,612.3**

34. 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	31 Dec 2010	31 Dec 2009
Less than 1 year	12.2	9.5
1–5 years	15.2	13.4
Over 5 years	2.3	0.8
Total	**29.7**	**23.7**

Rent income recognised in sales was EUR 17.5 (2009: 10.5) million.

35. Related-party transactions

Cargotec's related parties include the parent company Cargotec Corporation and its subsidiaries, associated companies and joint ventures. Related parties include also the members of the Board of Directors and the Executive Board, including the President and CEO and the Deputy to CEO. Ilkka Herlin together with Wipunen varainhallinta oy (in Ilkka Herlin's control), Mariatorp Oy (in Niklas Herlin's control) and D-Sijoitus Oy (in Ilona Herlin's control) exercise through ownership in Cargotec significant influence over the company.

Transactions with associated companies and joint ventures

1 Jan–31 Dec 2010 MEUR	Associated companies	Joint ventures	Total
Sale of products	3.3	0.9	4.2
Sale of services	1.1	0.2	1.3
Purchase of products	6.9	-	6.9
Purchase of services	5.7	0.0	5.7

1 Jan–31 Dec 2009 MEUR	Associated companies	Joint ventures	Total
Sale of products	4.7	7.0	11.7
Sale of services	0.2	-	0.2
Purchase of products	9.8	-	9.8
Purchase of services	4.7	-	4.7

Balances with associated companies and joint ventures

31 Dec 2010 MEUR	Associated companies	Joint ventures	Total
Current loans receivable	-	-	-
Accounts receivable	0.3	0.4	0.7
Accounts payable	2.5	0.0	2.5

31 Dec 2009 MEUR	Associated companies	Joint ventures	Total
Current loans receivable	-	0.2	0.2
Accounts receivable	0.4	0.6	1.0
Accounts payable	2.2	-	2.2

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

Key management compensation

MEUR	1 Jan–31 Dec 2010	1 Jan–31 Dec 2009
Wages and salaries	4.9	6.0
Share-based incentive scheme	0.5	0.2
Termination benefits	-	0.8
Post-employment benefits	0.1	0.3
Total	**5.6**	**7.3**

Key management consist of the Board of Directors and the Executive Board. Executive Board members were covered by the Cargotec's share-based incentive program 2007–2011 for key managers. In March 2009 14,429 Cargotec's class B shares were paid out to Exceutive Board members for the earnings period 2007–2008. The criteria set for the second earnings period (2009) was not met and the remaining earnings periods (2010 and 2011) were cancelled. Executive Board members are part of the new share-based incentive programme 2010, of which the rewards to be paid on the basis of the earnings period 2010–2012 will correspond to a maximum total of 94,000 Cargotec class B shares (including the proportion to be paid in cash). Additionally the Executive Board members participate to the option programme 2010, from which they were granted 110,000 2010A option rights. Further information on the incentive programmes is presented in Note 27, Share-based payments.

The period of notice of the President and CEO is six months and he has the right to compensation amounting to 12 months' salary for termination of employment. 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.The President and CEO and other members of the Executive Board are entitled to a statutory pension. Their retirement age is determined in line with the statutory pension scheme. Two members of the Executive Board are entitled to a supplementary pension benefit.

The loans Cargotec has granted to Moving Cargo Oy for financing an incentive program for the management amount to EUR 3.5 million at 31 December 2010 (31 Dec 2009: EUR 3.5 million). Of the total amount EUR 0.5 million is a non-interest-bearing convertible bond loan which falls due on 31 March 2012. Subordinated loan, EUR 1.0 (31 Dec 2009: 1.0) million, falls due on 31 March 2012 and carries an interest of 12 months Euribor (2009: annual 4.78%) rate. The convertible bond loan and subordinated loan are unsecurred. An interest of 12 months Euribor (2009: annual 4.78%) rate is carried on 2.0 (31 Dec 2009: 2.0) million loan. This loan falls due on 31 March 2012 and the collateral is Cargotec Corporation shares. Shareholders of Moving Cargo Oy include members of Cargotec's Executive Board. Cargotec has granted no other special advantages, nor has it made other special arrangements with the related parties.

Salaries and remunerations paid

1,000 EUR		1 Jan–31 Dec 2010	1 Jan–31 Dec 2009
Mikael Mäkinen	President and CEO	716.0	962.5 *
Pekka Vauramo	Deputy to CEO	498.0	490.8 *
Ilkka Herlin	Chairman of the Board	89.7	85.9
Tapio Hakakari	Vice Chairman of the Board (as of 5 Mar 2009)	62.7	58.1
Henrik Ehrnrooth	Vice Chairman of the Board (until 5 Mar 2009)	-	7.5
Peter Immonen	Member of the Board	47.5	45.3
Karri Kaitue	Member of the Board	46.5	43.8
Antti Lagerroos	Member of the Board	47.5	42.8
Teuvo Salminen	Member of the Board (as of 5 Mar 2010)	38.3	-
Anja Silvennoinen	Member of the Board (as of 5 Mar 2009)	46.5	37.8

* The President and CEO and the Deputy to CEO were members of Cargotec's share-based incentive plan for the years 2007-2011. In 2009 the President and CEO received 2,820 and the Deputy to CEO 1,410 class B shares for the first earnings period 2007-2008. These benefits are included at taxable value to total amount given.

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

36. Subsidiaries

31 Dec 2010	Country	Shareholding (%) Parent company	Shareholding (%) Group
Cargotec Albania SHPK	Albania		100
Cargotec Argentina S.R.L.	Argentina		100
Cargotec Australia Pty Ltd	Australia		100
Kalmar Equipment (Australia) Pty. Ltd.	Australia		100
O'Leary's Material Handling Services Pty Ltd	Australia		70
Interhydraulik Zepro GmbH	Austria		100
Kalmar Hebefahrzeuge Handelges.m.b.H.	Austria		100
Cargotec Caribbean Services Ltd.	Bahamas		100
Cargotec Belgium NV	Belgium	100	100
Cargotec Brazil Indústria e Comércio de Equipamentos para Movimentacao de Cargas Ltda	Brazil		100
MacGREGOR (BRA) Ltda	Brazil		100
Waltco Lift Inc.	Canada		100
Hiab Chile S.A.	Chile		100
Cargotec (Shanghai) Trading Company Limited	China		100
Cargotec Industries (China) Co., Ltd	China		100
Hiab Load Handling Equipment (Shanghai) Co., Ltd	China		100
Kalmar Port Machinery (Shenzhen) Co., Ltd	China		100
MacGREGOR Plimsoll (Tianjin) Co., Ltd	China		100
MacGREGOR Shanghai Trading Co., Ltd.	China		100
Shanghai Huaguan Hiab Special Purpose Vehicle Co., Ltd.	China		33 **
Cargotec d.o.o.	Croatia		100
Hiab d.o.o.	Croatia	100	100
MacGREGOR (CYPRUS) Ltd	Cyprus		100
Cargotec Czech Republic s.r.o.	Czech Republic	100	100
Kalmar Danmark A/S	Denmark	100	100
MacGREGOR (DNK) A/S	Denmark		100
Zepro Danmark A/S	Denmark		100
Cargotec Estonia AS	Estonia	100	100
MacGREGOR BLRT Baltic OÜ	Estonia		51
Asunto Oy Huvilakatu 1	Finland	87	87
Cargotec Finland Oy	Finland		100
Cargotec Holding Finland Oy	Finland	100	100
Cargotec Solutions Oy	Finland	100	100
Cargotec U.S. Manufacturing Oy	Finland		100
Cargotec U.S. Sales Oy	Finland		100
Forastar Oy Ab	Finland	100	100
Kiinteistö Oy Kalasatama	Finland	100	100
Oy Sisu Ab	Finland	100	100
Cargotec France SAS	France	100	100
Societe Immobiliere Mavivray S.a.r.l.	France		100
SRMP - Société Réunionaise de Maintenance Portuaire	France		51
Cargotec Germany Gmbh	Germany		100
CONVER Ingenieur Technik GmbH	Germany		100
MacGREGOR (DEU) GmbH	Germany		100
MacGREGOR Beteiligungs GmbH	Germany		100
Zepro Hebebühnen GmbH	Germany		100
MacGREGOR (GRC) EPE	Greece		100
Cargotec Asia Limited	Hong Kong		100
MacGREGOR (CHN) Ltd	Hong Kong		100

MacGREGOR (HKG) Ltd.	Hong Kong		100
Cargotec Magyarország Kft.	Hungary	100	100
Cargotec India Private Limited	India		100
PT MacGREGOR Plimsoll Indonesia	Indonesia		100
Cargotec Holding (Ireland) Ltd.	Ireland		100
Moffett Engineering Ltd	Ireland		100
Moffett Research & Development Ltd	Ireland		100
Cargotec Engineering, Italy S.r.l.	Italy		60 *
Cargotec Italia S.r.l.	Italy		100
Cargotec Japan Ltd.	Japan		100
Hiab K.K.	Japan		100
MacGREGOR BLRT Baltic UAB	Lithuania		51
Bromma (Malaysia) Sdn. Bhd.	Malaysia		100
Hiab Sdn Bhd	Malaysia		100
MacGREGOR Plimsoll Sdn Bhd	Malaysia		100
Cargotec de Mexico S.A. de C.V.	Mexico		100
Hiab S.A. de C.V.	Mexico		64
Platform Crane Services Mexico S. de. R.L.	Mexico		100
Servicios Hiab S.A. de C.V.	Mexico		64
Cargotec Maghreb S.A.	Morocco		100
Cargotec New Zealand Ltd	New Zealand		100
Cargotec Norway AS	Norway	100	100
Hiab AS	Norway		100
Kalmar Norge AS	Norway		100
MacGREGOR (NOR) AS	Norway		100
MacGREGOR Hydramarine AS	Norway		100
Cargotec Panama, S.A.	Panama		100
Cargotec Poland Sp. Z.o.o.	Poland		100
MacGREGOR Navire P Equipamentos Portuários e Para Construção Naval Unipessoal, Lda	Portugal		100
Cargotec Qatar W.L.L.	Qatar		49 *
Hiab Hana Ltd.	Republic of Korea		99
MacGREGOR (KOR) Ltd	Republic of Korea		100
Cargotec RUS LLC	Russia		100
Bromma Far East Pte. Ltd.	Singapore		100
Cargotec CHS Asia Pacific Pte. Ltd.	Singapore		100
Kalmar South East Asia Pte. Ltd	Singapore		100
MacGREGOR (SGP) Pte Ltd.	Singapore		100
MacGREGOR Plimsoll Offshore Services Pte Ltd	Singapore		100
MacGREGOR Plimsoll Pte Ltd	Singapore		100
Hiab spol. s.r.o.	Slovakia	100	100
Tagros d.o.o.	Slovenia	100	100
Hiab (Pty) Ltd	South Africa		100
Kalmar Industries South Africa (Pty) Ltd	South Africa	100	100
Cargotec Iberia, S.A.	Spain		100
Hiab Cranes, S.L.	Spain		100
All Set Marine Lashing AB	Sweden	100	100
Cargotec Holding Sweden AB	Sweden		100
Cargotec Patenter AB	Sweden		100
Cargotec Patenter HB	Sweden		100
Cargotec Sweden AB	Sweden	100	100
Koffert Sverige AB	Sweden		100
Zeteco AB	Sweden		100
Z-Lyften Produktion AB	Sweden		100
Cargotec Switzerland S.A.	Switzerland		100
Cargotec Sweden Aktiebolag Taiwan Branch	Taiwan		100
Cargotec (Thailand) Co., Ltd	Thailand		100
Cargotec ACT B.V.	The Netherlands		100
Cargotec Holding Netherlands B.V.	The Netherlands	100	100

Cargotec Netherlands B.V.	The Netherlands		100
International MacGREGOR-Navire Holding B.V.	The Netherlands		100
Bringeven Ltd.	UK		100
Cargotec UK Ltd	UK	100	100
Del Equipment (UK) Ltd.	UK		100
Grampian Hydraulics Limited	UK		100
Hiab Ltd.	UK		100
Kalmar Ltd.	UK		100
MacGREGOR (GBR) Ltd	UK		100
Moffett Ltd	UK		100
Cargotec Ukraine, LLC	Ukraine		100
MacGREGOR (UKR)	Ukraine		99
Cargotec (ARE) GULF WLL	United Arab Emirates		49 *
Cargotec (ARE) LLC	United Arab Emirates		49 *
Cargotec FZCO	United Arab Emirates		100
Cargotec Holding, Inc.	USA	100	100
Cargotec Port Security LLC	USA		100
Cargotec Solutions LLC	USA		100
Cargotec USA Inc.	USA		100
Kalmar RT Center LLC	USA		100
Waltco Lift Corp.	USA		100

*Cargotec has 100 percent control of the company

**Cargotec has 66 percent control of the company

37. Events after the balance sheet date

At the end of January 2011, Cargotec announced an acquisition of a US based terminal operating systems provider Navis. The transaction value is approximately USD 190 million (approximately EUR 140 million). By acquiring the leading TOS provider Navis, Cargotec will further strengthen its ability to provide total solutions for its terminal customers. The company has more than 300 employees of which the majority is located in the United States and India. Its sales are expected to be around USD 70 million in 2011, with around 40 percent recurring sales. The acquisition is subject to regulatory approvals from competition authorities, which are expected to be received during the first quarter of 2011.

In January, Cargotec signed a EUR 300 million five-year revolving credit facility. It replaces an undrawn EUR 300 million facility maturing in May 2012. With refinancing and prolonging the maturity, Cargotec strengthens its long-term liquidity and takes advantage of the favourable market conditions.

In December, Cargotec become a majority shareholder in Kalmar (Malaysia) Sdn. Bhd. by increasing its ownership in the company from 50.0 to 69.9 percent. The deal was closed in early January 2011.

In November 2010, Cargotec acquired the assets of a Swedish installation and service company, Hallberg-Ivarsson Hydraulik & Påbyggnad AB, located in Gothenburg. The company specialises in installation and services for on-road load handling equipment and heavy vehicles. The deal was closed in early January 2011.

Financial statements of the parent company (FAS)

Contents

Financial statements of the parent company (FAS)

Parent company income statement

MEUR	Note	1 Jan-31 Dec 2010	1 Jan-31 Dec 2009
Sales		**84.6**	**79.1**
Administration expenses	2, 3, 4	-96.4	-100.0
Other operating income		0.1	0.0
Other operating expenses		-	0.0
Operating profit		**-11.7**	**-20.9**
Financing income and expenses	5	66.3	-30.2
Income before appropriations and taxes		**54.5**	**-51.2**
Income taxes	6	-4.6	2.8
Net income for the period		**49.9**	**-48.4**

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

Parent company balance sheet

MEUR	Note	31 Dec 2010	31 Dec 2009
ASSETS			
Non-current assets			
Intangible assets	7	15.1	8.8
Tangible assets	8	1.0	1.1
Investments	9		
Investments in subsidiaries		1,529.6	1,478.1
Investments in associated companies and joint ventures		-	1.4
Other investments		3.9	1.1
Total non-current assets		**1,549.7**	**1,490.5**
Current assets			
Non-current receivables	10, 16	407.1	338.5
Current receivables	11, 16	646.8	1,136.5
Cash and cash equivalents		242.9	206.8
Total current assets		**1,296.7**	**1,681.9**
Total assets		**2,846.4**	**3,172.4**

MEUR		31 Dec 2010	31 Dec 2009
EQUITY AND LIABILITIES			
Equity			
Share capital		64.3	64.3
Share premium account		98.0	98.0
Fair value reserve		10.8	5.6
Retained earnings		850.7	923.5
Net income for the period		49.9	-48.4
Total equity	**12**	**1,073.7**	**1,043.0**
Liabilities			
Non-current liabilities	13, 16	449.1	561.3
Current liabilities	14, 16	1,323.5	1,568.0
Total liabilities		**1,772.7**	**2,129.3**
Total equity and liabilities		**2,846.4**	**3,172.4**

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

Parent company cash flow statement

MEUR	1 Jan–31 Dec 2010	1 Jan–31 Dec 2009
Cash flow from operating activities		
Operating profit	-11.7	-20.9
Adjustments to the operating profit for the period	3.0	1.2
Change in working capital	10.7	4.2
Interest paid	-30.8	-37.7
Interest received	20.8	38.5
Derivatives	43.2	-9.0
Cash flow from operating activities	**35.1**	**-23.6**
Cash flow from investing activities		
Investments in tangible and intangible assets	-9.2	-7.4
Acquisitions of subsidiaries and other companies	-17.6	-14.1
Proceeds from sales of tangible and intangible assets	0.0	-
Proceeds from sales of subsidiaries and other companies	1.4	1.0
Cash flow from investing activities	**-25.4**	**-20.6**
Cash flow from financing activities		
Proceeds from share subscriptions	-	0.0
Increase in loans receivable	-466.9	-424.5
Disbursement of loans receivable	961.8	279.1
Proceeds from short-term borrowings	900.6	563.2
Repayments of short-term borrowings	-1,242.8	-237.3
Proceeds from long-term borrowings	-	92.0
Repayments of long-term borrowings	-101.8	-
Dividends paid	-24.4	-36.7
Cash flow from financing activities	**26.4**	**235.9**
Change in cash and cash equivalents	36.1	191.7
Cash and cash equivalents 1 Jan	206.8	15.2
Cash and cash equivalents 31 Dec	**242.9**	**206.8**
Change in working capital		
Change in non-interest-bearing receivables	15.7	-5.2
Change in non-interest-bearing payables	-5.0	9.4
Change in working capital	**10.7**	**4.2**

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

Notes to the parent company financial statements

Contents

1. Accounting principles for the parent company financial statements

Basis of preparation

Cargotec Corporation financial statements have been prepared in accordance with the Finnish Accounting Standards (FAS).

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.

Revenue recognition

Sales include primarily intra-group service charges. The sale is recognised, when the services have been rendered.

Income taxes

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 at the closing date. Total deferred tax liability is included in the balance sheet and deferred tax assets as estimated probable asset value.

Tax expense in the income statement consists of the taxes based on taxable income for the period.

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 expected useful economic life as follows:

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

Derivative instruments

Derivative instruments are initially recognised in the balance sheet at cost, which equals the fair value, and subsequently measured at fair value at each balance sheet date. Fair values of forward contracts are based on quoted market rates at the balance sheet date. The fair values of cross-currency swaps are calculated as present value of estimated future cash flows. Derivative instruments maturing after 12 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 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. 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. Changes in all forward contract fair values due to interest rate changes are recognised in financial income and expenses.

Equity

Equity consists of share capital, share premium account, fair value reserves and retained earnings, deducted by dividends paid. The amount exceeding the accounting par value of shares received by the company in connection with share subscriptions was recorded in share premium account under the old Limited Liability Companies Act (29 Sep 1978/734). 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 and changes in treasury shares are recorded in retained earnings.

Restatement of previous accounting period information

Previous accounting period presentation format has been changed to correspond to this accounting period's presentation format. Items in income statement and balance sheet have been merged in order to clarify the presentation of figures. Merged items have been specified in the notes.

2. Personnel expenses

MEUR	1 Jan–31 Dec 2010	1 Jan–31 Dec 2009
Wages and salaries	16.6	17.0
Pension costs	2.4	2.5
Other statutory employer costs	1.1	1.4
Total	**20.0**	**21.0**

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

Average number of employees

	1 Jan–31 Dec 2010	1 Jan–31 Dec 2009
Administrative employees	190	164

Key management compensation

The salaries and remunerations paid to members of the Board during the financial period totalled EUR 0.4 (2009: 0,3) million.

The salaries and remunerations paid to the President and CEO, and the deputy to CEO during the financial period totalled EUR 1.2 (2009: 1.5) million. The President and CEO, and the deputy to CEO have a right to statutory pension and the age of retirement is defined by the statutory system.

Key management compensation is described in more detail in Note 35, Related-party transactions to the Consolidated financial statements.

3. Depreciation, amortisation and impairment charges

MEUR	1 Jan–31 Dec 2010	1 Jan–31 Dec 2009
Planned depreciation and amortisation		
Intangible rights	0.6	0.2
Other capitalised expenditure	2.1	0.9
Buildings	0.0	0.0
Machinery & equipment	0.2	0.2
Other tangible assets	0.0	0.0
Total	**3.0**	**1.2**

In tangible or intangible assets there have not been any impairments during the accounting period or previous accounting period.

4. Audit fees

MEUR	1 Jan–31 Dec 2010	1 Jan–31 Dec 2009
Annual audit	0.4	0.4
Tax advice	0.0	0.1
Other services	0.1	0.4
Total	**0.5**	**0.8**

5. Financing income and expenses

MEUR	1 Jan–31 Dec 2010	1 Jan–31 Dec 2009
Interest income		
From group companies	19.6	32.5
From third parties	14.2	13.0
Total	**33.8**	**45.4**
Other financing income		
From group companies	1.6	1.8
Exchange rate differences	37.1	12.2
Interest expenses		
From group companies	-7.6	-15.8
From third parties	-33.6	-31.7
Total	**-41.1**	**-47.5**
Other financing expenses		
Other financing expenses from third parties	-1.9	-1.9
Impairments/ Reversals of impairments of investments in subsidiaries	36.7	-40.3
Total financing income and expenses	**66.3**	**-30.2**

6. Income taxes

MEUR	1 Jan–31 Dec 2010	1 Jan–31 Dec 2009
Change in deferred tax asset	4.6	-2.8
Total	**4.6**	**-2.8**

7. Intangible assets

MEUR	Intangible rights	Other capitalised expenditure	Fixed assets under construction	Total
Acquisition cost 1 Jan 2010	1.4	5.8	2.9	10.1
Additions	0.8	4.0	4.2	9.1
Reclassification	0.5	1.1	-1.6	0.0
Acquisition cost 31 Dec 2010	**2.7**	**10.9**	**5.6**	**19.2**
Accumulated amortisation 1 Jan 2010	0.3	1.0	-	1.3
Amortisation during the period	0.6	2.1	-	2.8
Accumulated amortisation 31 Dec 2010	0.9	3.1	-	4.1
Book value on 31 Dec 2010	**1.8**	**7.8**	**5.6**	**15.1**
Acquisition cost 1 Jan 2009	0.2	1.7	1.0	2.9
Additions	1.2	4.1	1.9	7.3
Disposals	-	-0.1	-	-0.1
Acquisition cost 31 Dec 2009	**1.4**	**5.8**	**2.9**	**10.1**
Accumulated amortisation 1 Jan 2009	0.1	0.2	-	0.3
Accumulated amortisation associated with reclassified and disposed items	-	0.0	-	0.0
Amortisation during the period	0.2	0.9	-	1.0
Accumulated amortisation 31 Dec 2009	0.3	1.0	-	1.3
Book value 31 Dec 2009	**1.1**	**4.8**	**2.9**	**8.8**

8. Tangible assets

MEUR	Land	Buildings	Machinery & equipment	Other tangible assets	Total
Acquisition cost on 1 Jan 2010	0.4	0.4	0.7	0.1	1.6
Additions	-	-	0.2	-	0.2
Acquisition cost on 31 Dec 2010	**0.4**	**0.4**	**0.8**	**0.1**	**1.7**
Accumulated depreciation on 1 Jan 2010	-	0.0	0.4	0.1	0.5
Depreciation during the period	-	0.0	0.2	0.0	0.2
Accumulated depreciation on 31 Dec 2010	-	0.1	0.5	0.1	0.7
Book value on 31 Dec 2010	**0.4**	**0.4**	**0.3**	**0.0**	**1.0**
Acquisition cost on 1 Jan 2009	0.4	0.4	0.5	0.1	1.4
Additions	-	-	0.2	-	0.2
Disposals	-	-	0.0	-	0.0
Acquisition cost on 31 Dec 2009	**0.4**	**0.4**	**0.7**	**0.1**	**1.6**
Accumulated depreciation on 1 Jan 2009	-	0.0	0.2	0.1	0.3
Accumulated depreciation associated with reclassified and disposed items	-	-	0.0	-	0.0
Depreciation during the period	-	0.0	0.2	0.0	0.2
Accumulated depreciation on 31 Dec 2009	-	0.0	0.4	0.1	0.5
Book value on 31 Dec 2009	**0.4**	**0.4**	**0.3**	**0.0**	**1.1**

9. Investments

MEUR	2010	2009
Subsidiaries		
Acquisition cost 1 Jan	1,605.9	1,608.2
Accumulated Impairments 1 Jan	-127.8	-100.0
Additions	14.8	58.7
Disposals	-	-61.0
Impairments/Reversals of impairments	36.7	-27.8
Book value 31 Dec	**1,529.6**	**1,478.1**

MEUR	2010	2009
Associated companies		
Acquisition cost 1 Jan	1.4	1.4
Disposals	-1.4	-
Book value 31 Dec	**-**	**1.4**

MEUR	2010	2009
Other shares		
Acquisition cost 1 Jan	1.1	1.1
Additions	2.8	-
Book value 31 Dec	**3.9**	**1.1**

Subsidiary companies' full name, country of domicile and parent company's shareholding are disclosed in Consolidated financial statements' Note 36, Subsidiaries and those of associated companines in Note 17, Investments in associated companies.

10. Non-current receivables

MEUR	31 Dec 2010	31 Dec 2009
Loans receivable from group companies	368.9	309.3
Derivative assets	13.4	-
Deferred tax asset	17.6	22.2
Loan receivables from others	7.2	7.0
Total	**407.1**	**338.5**

11. Current receivables

MEUR	31 Dec 2010	31 Dec 2009
From group companies		
Accounts receivable	12.6	22.5
Derivative assets	13.4	2.1
Loans receivable	580.7	1,092.6
Deferred assets	3.9	9.2
Total	**610.6**	**1,126.4**
From third parties		
Accounts receivable	0.0	0.0
Derivative assets	29.5	4.6
Deferred assets	6.7	5.5
Total	**36.2**	**10.2**
Total current receivables	**646.8**	**1,136.5**

12. Equity

MEUR	2010	2009
Restricted equity		
Share capital 1 Jan	64.3	64.3
Share subscriptions with options	-	0.0
Share capital 31 Dec	**64.3**	**64.3**
Share premium account 1 Jan	98.0	98.0
Share subscriptions with options	-	0.0
Share premium account 31 Dec	**98.0**	**98.0**
Fair value reserves 1 Jan	5.6	25.1
Cash flow hedges	7.0	-26.3
Change in deferred taxes	-1.8	6.8
Fair value reserve 31 Dec	**10.8**	**5.6**
Total restricted equity	**173.1**	**167.9**
Non-restricted equity		
Retained earnings 1 Jan	875.1	960.0
Treasury shares disposed	-	0.2
Dividends paid	-24.4	-36.7
Retained earnings 31 Dec	**850.7**	**923.5**
Net income for the period	49.9	-48.4
Non-restricted equity	**900.6**	**875.1**
Total equity	**1,073.7**	**1,043.0**
Distributable equity	**900.6**	**875.1**

13. Non-current liabilities

MEUR	31 Dec 2010	31 Dec 2009
Corporate bonds	246.2	307.6
Loans from group companies	50.0	50.0
Loans from financial institutions	149.1	191.9
Deferred tax liability	3.8	2.0
Derivative liabilities	-	9.9
Total Non-Current Liabilities	**449.1**	**561.3**

Maturity after 5 years

MEUR	31 Dec 2010	31 Dec 2009
Corporate bonds	153.1	141.9
Loans from financial institutions	2.5	7.5
Total	**155.6**	**149.4**

14. Current liabilities

MEUR	31 Dec 2010	31 Dec 2009
Liabilities to group companies		
Accounts payable	2.3	3.5
Derivative liabilities	15.2	0.1
Loans from group companies	1,210.6	1,499.2
Accruals	3.4	6.1
Total	**1,231.5**	**1,508.9**
To third parties		
Loans from financial institutions	40.3	20.0
Bank overdrafts used	2.7	5.8
Accounts payable	5.4	2.1
Derivative liabilities	21.6	3.5
Accruals	22.0	27.7
Total	**92.0**	**59.1**
Total current liabilities	**1,323.5**	**1,568.0**

Accruals

MEUR	31 Dec 2010	31 Dec 2009
Accrued salaries, wages and employment costs	5.2	5.7
Accrued interests	15.4	16.7
Other accruals	4.9	11.4
Total	**25.5**	**33.8**

15. Commitments

MEUR	31 Dec 2010	31 Dec 2009
Security for debt		
Guarantees given on behalf of group companies	474.4	554.7
Guarantees given on behalf of associated companies	0.0	-
Guarantees given on behalf of others	0.5	0.4
Total	**474.9**	**555.1**
Contingencies		
Rental commitments given on behalf of others	3.2	3.5
Leasing commitments		
Maturity within the next financial period	0.4	0.4
Maturity after next financial period	0.4	0.4
Total	**3.9**	**4.2**

16. Derivatives

Fair values of derivative financial instruments

31 Dec 2010 MEUR	Positive fair value	Negative fair value	Net fair value
Intra group FX forward contracts	13.4	15.2	-1.8
FX forward contracts	29.5	21.6	7.9
Cross currency and interest rate swaps	13.4	0.0	13.4
Total	**56.2**	**36.8**	**19.4**

31 Dec 2009 MEUR	Positive fair value	Negative fair value	Net fair value
Intra group FX forward contracts	2.1	0.1	2.0
FX forward contracts	4.6	3.5	1.1
Cross currency and interest rate swaps	-	9.9	-9.9
Total	**6.7**	**13.5**	**-6.8**

Nominal values of derivative financial instruments

MEUR	31 Dec 2010	31 Dec 2009
Intra group FX forward contracts	825.1	85.0
FX forward contracts	1,891.9	483.6
Cross currency and interest rate swaps	225.7	225.7
Total	**2,942.7**	**794.3**

Key figures

Key figures

Key financial figures

Consolidated statement of income		2010	2009	2008	2007	2006
Sales	MEUR	2,575	2,581	3,399	3,018	2,597
Exports from and sales outside Finland	MEUR	2,516	2,530	3,280	2,919	2,528
Operating profit	MEUR	131	0	174	203	240
% of sales	%	5.1	0.0	5.1	6.7	9.3
Operating profit from operations	MEUR	142 [1]	61 [1]	193 [1]	221 [2]	223 [3]
% of sales	%	5.5 [1]	2.4 [1]	5.7 [1]	7.3 [2]	8.6 [3]
Income before taxes	MEUR	101	-27	145	184	232
% of sales	%	3.9	-1.0	13.5	6.1	8.9
Net income for the period	MEUR	78	7	121	138	166
% of sales	%	3.0	0.3	3.6	4.6	6.4

Other key figures		2010	2009	2008	2007	2006
Wages and salaries	MEUR	364	351	387	353	297
Depreciation, amortisation and impairment	MEUR	60	60	60	60	41
Capital expenditure in intangible assets and property, plant and equipment	MEUR	44	88	77	53	47
Capital expenditure in customer financing	MEUR	16	19	36	38	22
Total % of sales	%	2.3	4.1	3.3	3.0	2.6
Research and development costs	MEUR	37	37	47	46	31
% of sales	%	1.4	1.4	1.4	1.5	1.2
Equity	MEUR	1,069	881	864	897	877
Total assets	MEUR	2,916	2,687	3,039	2,583	1,988
Interest-bearing net debt	MEUR	171 [4]	335 [4]	478 [4]	326 [4]	107
Return on equity	%	8.0	0.8	13.7	15.6	20.2
Return on capital employed	%	8.6	0.2	12.7	16.8	23.1
Total equity/total assets	%	42.7	37.5	33.0	38.3	47.6
Gearing	%	16.0 [4]	38.0 [4]	55.3 [4]	36.3 [4]	12.3
Orders received	MEUR	2,729	1,828	3,769	4,106	2,910
Order book	MEUR	2,356	2,149	3,054	2,865	1,621
Average number of employees		9,673	10,785	11,777	10,276	8,026
Number of employees 31 Dec		9,954	9,606	11,826	11,187	8,516
Dividends	MEUR	37 [5]	24	37	65	63

1 Excluding restructuring costs
2 Excluding a one-off cost related to a container spreader inspection and repair program
3 Excluding gain on the sale of property
4 Including cross currency hedging of the 300 million USD Private Placement corporate bonds.
5 Board's proposal

Share-related key figures

		2010	2009	2008	2007	2006
Earnings per share						
Basic earnings per share	EUR	1.21	0.05	1.91	2.17	2.57
Diluted earnings per share	EUR	1.21	0.05	1.91	2.16	2.56
Equity per share	EUR	17.37	14.20	13.95	14.29	13.72
Dividend per class B share	EUR	0.61 [4]	0.40	0.60	1.05	1.00
Dividend per class A share	EUR	0.60 [4]	0.39	0.59	1.04	0.99
Dividend per earnings, class B share	%	50.4 [4]	782.8	31.4	48.4	38.9
Dividend per earnings, class A share	%	49.6 [4]	763.2	30.8	47.9	38.5
Effective dividend yield, class B share	%	1.6 [4]	2.1	7.4	3.3	2.4
Price per earnings, class B share	EUR	32.3	377.9	13.5	14.6	16.4
Development of share price, class B share						
Average share price	EUR	26.08	11.55	21.47	40.55	34.62
Highest share price	EUR	39.37	19.31	36.49	49.83	43.50
Lowest share price	EUR	19.16	6.37	7.63	29.78	28.84
Closing price at the end of period	EUR	39.03	19.31	8.09	31.65	42.10
Market capitalisation 31 Dec [1]	MEUR	2,390	1,183	495	1,971	2,667
Market capitalisation of class B shares 31 Dec [2]	MEUR	2,023	1,001	419	1,671	2,266
Trading volume, number of class B shares traded (On NASDAQ OMX Helsinki Ltd.)	('000)	47,097	54,782	85,697	70,945	52,909
Trading volume, number of class B shares traded (On NASDAQ OMX Helsinki Ltd.)	%	84.2	92.2	156.6	130.0	97.2
Weighted average number of class A shares [3]	('000)	9,526	9,526	9,526	9,526	9,526
Number of class A shares 31 Dec [3]	('000)	9,526	9,526	9,526	9,526	9,526
Weighted average number of class B shares [2]	('000)	51,819	51,812	52,367	53,439	54,169
Number of class B shares 31 Dec [2]	('000)	51,819	51,819	51,787	52,790	53,816
Diluted weighted average number of class B shares [2]	('000)	51,819	51,812	52,456	53,669	54,502

1 Including class A and B shares, excluding tresury shares
2 Excluding tresury shares
3 No dilution on class A shares
4 Board's proposal

Calculation of Key Figures

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

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

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

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

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

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

Dividend / share $= \dfrac{\text{Dividend for financial period}}{\text{Share issue adjusted number of shares at the end of period (excluding treasury shares)}}$

Dividend / earnings (%) $= 100 \times \dfrac{\text{Dividend for financial period / share}}{\text{Basic earnings / share}}$

Effective dividend yield (%) $= 100 \times \dfrac{\text{Dividend / share}}{\text{Share issue adjusted closing price for the class B share at the end of period}}$

Price / earnings (P/E) $= \dfrac{\text{Share issue adjusted closing price for the class B share at the end of period}}{\text{Basic earnings / share}}$

Average share price $= \dfrac{\text{EUR amount traded during period for the class B share}}{\text{Share issue adjusted number of class B shares traded during period}}$

Market capitalisation at the end of period = Number of class B shares outstanding at the end of period * closing price for the class B share at the end of period + Number of class A shares outstanding at the end of period * closing day average price for the class B share

Trading volume = Number of class B shares traded during period

Trading volume (%) $= 100 \times \dfrac{\text{Number of class B shares traded during period}}{\text{Average weighted number of class B shares during period}}$

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

Shares and shareholders

Cargotec Corporation's class B shares are quoted on the NASDAQ OMX Helsinki OMX Large Cap list since 1 June 2005. The trading code is CGCBV. The shares are registered in the book-entry securities system maintained by Euroclear Finland Ltd., which also maintains the official shareholder register of Cargotec Corporation.

Share key figures 2006–2010, EUR

	2010	2009	2008	2007	2006
Basic earnings per share	1.21	0.05	1.91	2.17	2.57
Equity per share	17.37	14.20	13.95	14.29	13.72
Dividend per class B share	0.61*	0.40	0.60	1.05	1.00
Dividend per class A share	0.60*	0.39	0.59	1.04	0.99
Effective divided yield, class B share, %	1.6*	2.1	7.4	3.3	2.4
Price per earnings, class B share	32.3	377.9	13.5	14.6	16.4
Development of share price, class B share					
Average price	26.08	11.55	21.47	40.55	34.62
Highest price	39.37	19.31	36.49	49.83	43.50
Lowest price	19.16	6.37	7.63	29.78	28.84
Closing price	39.03	19.31	8.09	31.65	42.10

* Board's proposal

Shares and share capital

Cargotec has two classes of shares, of which class B shares are listed and class A shares are unlisted. 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 15,002,570 at the end of 2010.

In dividend distribution, class B shares earn a higher dividend than class A shares. The difference between dividends paid on the two classes of shares is a minimum of one (1) cent and a maximum of two and a half (2.5) cents.

There were no changes in Cargotec Corporation's share capital in 2010. On 31 December 2010, share capital, fully paid and entered in the trade register, totalled EUR 64,304,880. There were 54,778,791 class B shares listed on NASDAQ OMX Helsinki Ltd. and 9,526,089 unlisted class A shares.

Changes in share capital

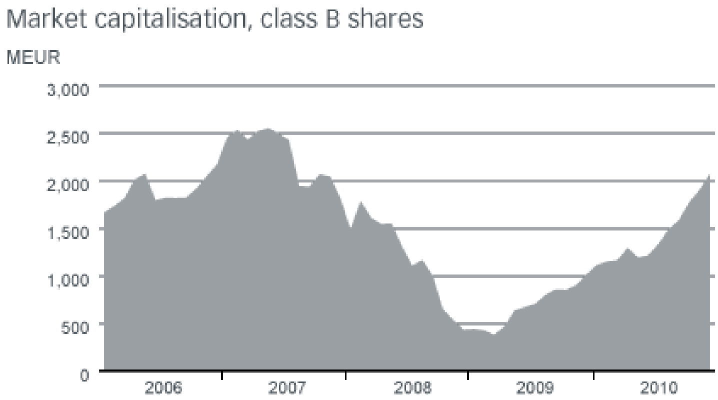
	Number of A shares	Number of B shares	Share capital, EUR
Share capital 1 Jun 2005	**9,526,089**	**54,228,666**	**63,754,755**
Share subscriptions with option rights in 2005		166,200	
Share capital 31 Dec 2005	**9,526,089**	**54,394,866**	**63,920,955**
Share subscriptions with option rights in 2006		125,505	
Share capital 31 Dec 2006	**9,526,089**	**54,520,371**	**64,046,460**
Share subscriptions with option rights in 2007		173,913	
Share capital 31 Dec 2007	**9,526,089**	**54,694,284**	**64,220,373**
Share subscriptions with option rights in 2008		83,907	
Share capital 31 Dec 2008	**9,526,089**	**54,778,191**	**64,304,280**
Share subscriptions with option rights in 2009		600	
Share capital 31 Dec 2009	**9,526,089**	**54,778,791**	**64,304,880**
Share capital 31 Dec 2010	**9,526,089**	**54,778,791**	**64,304,880**

Detailed information on share subscriptions are available on Cargotec's website www.cargotec.com/investors

Cargotec did not repurchase any own shares during the financial period. At the end of 2010, the company held a total of 2,959,487 class B shares, accounting for 4.60 percent of the share capital and 1.97 percent of the total voting rights of all shares. The number of issued class B shares, excluding treasury shares held by the company, totalled 51,819,304 at the year-end.

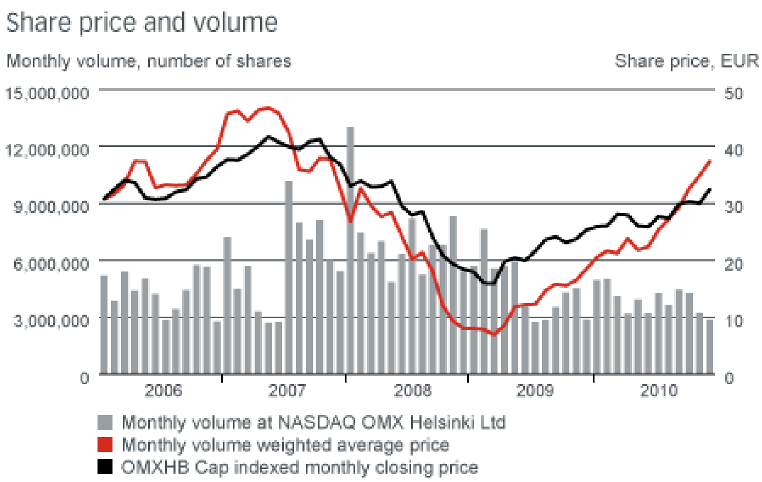
Share performance, market capitalisatisation and trading

Cargotec's class B share price doubled in 2010 from EUR 19.31 to EUR 39.03 on NASDAQ OMX Helsinki Ltd. Over the same period, the OMX Helsinki Benchmark Cap Index rose by 28 percent. At the end of 2010, the total market value of class B shares, excluding treasury shares held by the company and calculated using the closing quotation of class B shares of the last trading day of the year, was EUR 2,023 million. Cargotec's year-end market capitalisation, in which the unlisted class A shares are valued at the average price of class B shares on the last trading day of the year, was EUR 2,390 million, excluding treasury shares held by the company.



Class B share closed at EUR 39.03 on NASDAQ OMX Helsinki Ltd. on the last trading day of 2010. The highest quotation for 2010 was EUR 39.37 and the lowest EUR 19.16. The volume weighted average price for the financial period was EUR 26.08. During 2010, a total of 47 (55) million class B shares were traded on NASDAQ OMX Helsinki Ltd., corresponding to a turnover of EUR 1,226 million. The average daily trading volume of class B shares 186,891 shares or EUR 4,864,852 million.

In 2010, in addition to NASDAQ OMX Helsinki Ltd., a total of 35 (13) million class B shares were traded on several alternative market places, corresponding to a turnover of EUR 886 million. Shares were mainly traded in Chi-X and BATS Europe.



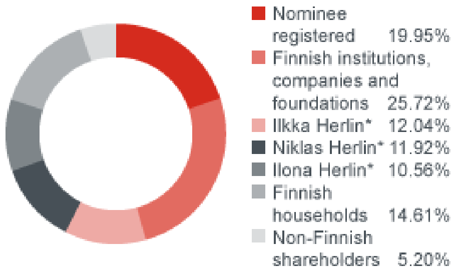
Information on the Cargotec class B share price is available on Cargotec's website www.cargotec.com/investors.

Shareholders

At the end of 2010, Cargotec had approximately 17,000 registered shareholders, the largest shareholder being Wipunen varainhallinta oy. Ilkka Herlin was the largest owner when including shares owned directly as well as through companies in which a controlling interest is held. There were 12,831,581 nominee-registered shares, representing 19.95 percent of the total number of shares, which corresponds to 8.55 percent of all votes.

A monthly updated list of major shareholders is available on Cargotec's website at www.cargotec.com/investors.

Breakdown by shareholder category on 31 December 2010



* Ownership information includes shares owned directly as well as through companies under controlling power.
Based on ownership records of the Euroclear Finland.

Major shareholders on 31 December 2010

	Shareholder	Class A shares	Class B shares	Shares total	Shares, %	Votes	Votes, %
1	Ownership of Ilkka Herlin, total	2,940,067	4,802,011	7,742,078	12.04	3,420,268	22.80
	Wipunen varainhallinta oy	2,940,067	4,800,000	7,740,067	12.04	3,420,067	22.80
	Herlin Ilkka		2,011	2,011	0.00	201	0.00
2	Mariatorp Oy (in Niklas Herlin's controlling power)	2,940,067	4,725,000	7,665,067	11.92	3,412,567	22.75
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		2,959,487	2,959,487	4.60	295,948	1.97
6	Kone Foundation	705,888	1,232,454	1,938,342	3.01	829,133	5.53
7	Ilmarinen Mutual Pension Insurance Company		1,465,153	1,465,153	2.28	146,515	0.98
8	Varma Mutual Pension Insurance Company		1,277,378	1,277,378	1.99	127,737	0.85
9	Tapiola Mutual Pension Insurance Company		708,865	708,865	1.10	70,886	0.47
10	Veritas Pension Insurance		450,000	450,000	0.70	45,000	0.30
11	Herlin Heikki		400,000	400,000	0.62	40,000	0.27
12	Nurminen Hanna		390,001	390,001	0.61	39,000	0.26
13	Sundholm Göran		375,001	375,001	0.58	37,500	0.25
14	OP-Delta Fund		365,000	365,000	0.57	36,500	0.24
15	OP-Suomi Arvo Fund		360,000	360,000	0.56	36,000	0.24
16	The State Pension Fund		266,000	266,000	0.41	26,600	0.18
17	Moving Cargo Oy		226,694	226,694	0.35	22,669	0.15
18	Säästöpankki kotimaa Fund		225,667	225,667	0.35	22,566	0.15
19	Gyllenberg Finlandia Fund		210,000	210,000	0.33	21,000	0.14
20	Blåberg Karoliina		182,745	182,745	0.28	18,274	0.12
	Total	**9,526,089**	**27,494,796**	**37,020,885**	**57.56**	**12,275,564**	**81.82**

Nominee registered	12,831,581
Other owners	14,452,414
Total number of shares issued on 31 Dec 2010	**64,304,880**

Based on ownership records of Euroclear Finland Ltd.

Breakdown of share ownership on 31 December 2010

Number of shares	Number of shareholders	% of shareholders	Total shares	% of total number of shares and share capital
1–100	6,573	38.71	395,073	0.61
101–500	6,808	40.09	1,800,491	2.80
501–1,000	1,790	10.54	1,390,200	2.16
1,001–10,000	1,624	9.56	4,383,452	6.82
10,001–100,000	146	0.86	4,060,976	6.32
100,001–1,000,000	30	0.18	6,706,616	10.43
yli 1,000,000	10	0.06	42,603,185	66.25
Total	**16,981**	**100**	**61,339,993**	**95.39**
of which nominee registered	14		12,831,581	19.95
In the joint book-entry account			5,400	0.01
Number of shares outstanding 31 Dec 2010			**61,345,393**	**95.4**
Treasury shares on 31 Dec 2010	1		2,959,487	4.6
Total number of shares on 31 Dec 2010			**64,304,880**	**100**

Based on ownership records of Euroclear Finland Ltd.

Shares held by the Board of Directors and management

On 31 December 2010, the aggregate shareholding of the Board of Directors, the President and CEO, the Deputy to CEO and companies in which they have a controlling interest was 2,940,067 class A shares and 5,264,463 class B shares, which corresponded to 12.76 percent of the total number of all class A and class B shares and 23.11 percent of all votes.

The President and CEO and the Deputy to CEO are included in the share-based incentive programme 2010 for executives as well as the option programme 2010 to key personnel. For the earnings period 2010–2012 of the share-based incentive programme, they have a possibility to earn 30,000 class B shares. Based on the option programme, they have been allocated 30,000 2010A stock options.

Up-to-date information on the shares held by the Board of Directors and management is available on Cargotec's website www.cargotec.com/investors.

Board authorisations

The 2010 Annual General Meeting authorised the Board of Directors to decide on repurchasing of own shares with non-restricted equity. The shares may be repurchased in order to develop the capital structure of the company, to finance or carry out possible acquisitions, to implement the company's share-based incentive plans, 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. This authorisation was not exercised during the financial period.

In addition, the Annual General Meeting authorised the Board of Directors to decide on issuance of treasury shares in one or more lots. The share issue can be directed and it is to be used to as compensation in acquisitions and in other arrangements, to finance acquisitions or for personnel incentive purposes. The Board of Directors has also the right to decide on the transfer of the shares in public trading on NASDAQ OMX Helsinki Ltd. according to its rules and regulations. The Board of Directors was also authorised to decide on other conditions of the share issue. This authorisation was not exercised during the financial period.

Both authorisations shall remain in effect for a period of 18 months from the date of the Annual General Meeting's decision.

At the end of the financial period, the Board of Directors had no current authorisation to grant option rights or other special rights entitling to shares, or to raise the share capital.

Option programme 2010

The Annual General Meeting confirmed that stock options will be issued to the key personnel of Cargotec and its subsidiaries. The target group of the programme is approximately 60 persons including the members of Cargotec Executive Board. The stock options entitle their owners to subscribe for a maximum total of 1,200,000 new class B shares in Cargotec or existing class B shares held by the company and the stock options are marked as 2010A, 2010B and 2010C stock options. The beginning of the share subscription period requires attainment of targets established for a performance criterion determined by the Board of Directors annually. Those stock options, for which the targets have not been attained, will expire.

The operating profit target for 2010 having been fulfilled, share subscription will begin in April 2013 covering all 2010A stock options issued, as per the programme terms and conditions. The Board decides performance criterion for 2010B and 2010C stock options in 2011 and 2012.

Stock options	Subscription period	Subscription price*
2010A	1 April 2013–30 April 2015	21.35
2010B	1 April 2014–30 April 2016	**
2010C	1 April 2015–30 April 2017	**

* Dividends paid annually will be deducted of subscription price
** Subscription prices will be determined after the 2011 and 2012 AGMs

More information on stock options is available on Cargotec's website www.cargotec.com/investors.

Share-based incentive programme 2010

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

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

The potential reward will be paid partly as Cargotec's class B shares and partly in cash in 2013, 2014 and 2015. The proportion to be paid in cash is intended to cover taxes and tax-related costs arising from the reward. The rewards to be paid on the basis of the earning period 2010–2012 will correspond to the approximate value of a maximum total of 100,000 Cargotec class B shares (including also the proportion to be paid in cash).

The remaining earning periods 2010 and 2011 of the former share-based incentive programme 2007–2011 were not commenced as the new programme replacing the current programme was implemented as from the beginning of 2010. On the basis of the former programme, a total of 31,356 class B shares were paid as reward to key personnel for the first earning period 2007–2008. No rewards were paid for the second earning period 2009 as the targets established for the earnings criteria were not attained. A total of 387,500 series B shares were initially reserved for the programme.

Signatures for board of directors' report and financial statements

Helsinki, 3 February 2011

Ilkka Herlin
Chairman of the Board

Tapio Hakakari
Vice Chairman of the Board

Peter Immonen
Member of the Board

Karri Kaitue
Member of the Board

Antti Lagerroos
Member of the Board

Teuvo Salminen
Member of the Board

Anja Silvennoinen
Member of the Board

Mikael Mäkinen
President and CEO

Our Auditor's report has been issued today.

Helsinki, 3 February 2011

PricewaterhouseCoopers Oy
Authorised Public Accountants

Jouko Malinen
Authorised Public Accountant

Johan Kronberg
Authorised Public Accountant

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 31 December, 2010. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, 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 consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view 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 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 express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about 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 are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

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 judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. 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.

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, 3 February 2011

PricewaterhouseCoopers Oy
Authorised Public Accountants

Jouko Malinen
Authorised Public Accountant

Johan Kronberg
Authorised Public Accountant