Cargotec Corporation's Financial Statements Review January–December 2008

Q4

Cargotec

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- Orders received totalled EUR 3,769 (4,106) million. During the fourth quarter, orders received were EUR 633 (1,214) million.
- The order book was EUR 3,054 (2,865) million.
- Sales grew by 13 percent, amounting to EUR 3,399 (3,018) million. Sales for the fourth quarter were EUR 924 (868) million.
- Sales for services grew to EUR 871 (757) million, representing 26 (25) percent of total sales.
- Operating profit excluding restructuring costs was EUR 192.8 (203.1) million with EUR 35.9 (46.3) attributable to the fourth quarter. Operating margin excluding restructuring costs was 5.7 (6.7) percent and 3.9 (5.3) for the fourth quarter.
- Operating profit was EUR 173.7 (203.1) million with EUR 16.8 (46.3) million attributable to the fourth quarter. Operating profit includes EUR 19 million of costs from the restructuring program announced in September.
- Cash flow from operating activities before financial items and taxes totalled EUR 133.8 (235.1) million.
- Net income for the period amounted to EUR 120.8 (138.4) million.
- Earnings per share were EUR 1.91 (2.17) with EUR 0.14 (0.45) attributable to the fourth quarter.
- The number of personnel totalled 11,826 (11,187) at the end of the period.
- The Board of Directors will propose to the Annual General Meeting, that of the distributable profit, a dividend of EUR 0.59 per each class A share and EUR 0.60 per each class B share outstanding be paid.
- In the current uncertain economic situation it is difficult to estimate the demand for Cargotec's products. This is further complicated by possible order cancellations and delays. The preconditions for sales growth exist in services and MacGREGOR. Sales of Hiab and Kalmar are expected to decline from 2008. Significant restructuring measures costing EUR 35 million were decided on during 2008 to create a new supply platform and improve profitability in Cargotec. Focus is on the rapid implementation of these measures. Approximately EUR 16 million of these costs remain for 2009.

The figures in this financial statements review are audited.

Operating Environment

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

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

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

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

Orders Received

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

Orders received, MEUR	1-12/2008	Share, %	1-12/2007	Share, %	Change, %
Hiab	818	22	985	24	-17
Kalmar	1,566	41	1,429	35	+10
MacGREGOR	1,393	37	1 696	41	-18
Internal orders received	-9		-4		
Total	3,769	100	4,106	100	-8

Hiab

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

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

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

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

Kalmar

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

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

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

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

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

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

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

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

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

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

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

MacGREGOR

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

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

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

In August, the Offshore division received a major order for two active heave compensated offshore cranes from Finnish Finstaship. The cranes will delivered during the second half of 2010.
During the second quarter, MacGREGOR obtained extensive hatch cover and RoRo equipment orders, mainly from Korea and Japan. The hatch cover orders are for a large number of container and bulk vessels to be delivered in 2009–2012. The RoRo equipment orders include the design and manufacture of RoRo equipment as well as hoistable car decks for four deep-sea ConRos (vessels carrying both container and RoRo cargo). The equipment will be delivered in 2010–2011.

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

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

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

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

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

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

Cargotec Services

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

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

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

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

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

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

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

Order Book

Cargotec's order book totalled EUR 3,054 (2,865) million on December 31, 2008. Of the order book, Hiab accounted for EUR 164 (260) million, Kalmar EUR 704 (660) million, and MacGREGOR EUR 2,187 (1,946) million. Order cancellations booked in MacGREGOR in the fourth quarter totalled EUR 119 million.

Order book, MEUR	31.12.2008	Share, %	31.12.2007	Share, %	Change, %
Hiab	164	5	260	9	-37
Kalmar	704	23	660	23	+7
MacGREGOR	2,187	72	1,946	68	+12
Internal order book	-1		-1		
Total	3,054	100	2,865	100	+7

Sales

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

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

Sales, MEUR	1-12/2008	Share, %	1-12/2007	Share, %	Change, %
Hiab	907	27	931	31	-3
Kalmar	1,515	44	1,343	44	+13
MacGREGOR	985	29	748	25	+32
Internal Sales	-8		-4		
Total	3,399	100	3,018	100	+13

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

Financial Result

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

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

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

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

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

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

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

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

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

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

Balance Sheet, Financing and Cash Flow

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

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

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

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

New Products and Product Development

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

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

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

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

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

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

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

During the first quarter, Kalmar launched a new, fully-automated shuttle carrier that is able to pick, place and transport containers between ship-to-shore (STS) and yard stacking cranes without a driver. The new Kalmar Autoshuttle™ ensures the cost efficiency, productivity and flexibility of port operations, particularly in the very big ports of the future.
During 2008, Kalmar introduced a new medium range terminal tractor offering better ergonomics and driver comfort as well as lower noise levels than earlier models, also an electric forklift truck was launched in the medium lift range.

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

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

Capital Expenditure

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

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

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

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

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

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

On the Move change programme

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

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

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

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

Acquisitions

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

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

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

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

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

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

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

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

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

Employees

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

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

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

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

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

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

Environment

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

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

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

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

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

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

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

Internal control and risk management

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

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

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

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

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

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

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

Shares, Share Capital and Option rights

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

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

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

Market Capitalisation and Trading

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

On December 31, 2008, the total market value of Cargotec class B shares was EUR 419 million, excluding treasury shares held by the Company. The period-end market capitalisation, in which unlisted class A shares are valued at the average price of class B shares on the last trading day of the financial period, was EUR 495 million, excluding treasury shares held by the Company.

Changes in Cargotec's Management

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

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

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

Decisions Taken at Cargotec Corporation's Annual General Meeting

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

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

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

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

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

Authorisations Granted by the Annual General Meeting

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

Altogether no more than 6,400,000 own shares may be purchased, of which no more than 952,000 are class A shares and

5,448,000 are class B shares. The above-mentioned amounts include the 1,904,725 class B shares in the Company's possession on the AGM date, which were purchased during 2005–2007. The proposed amount corresponds to less than 10 percent of the share capital of the Company and the total voting rights. The acquisition of own shares will decrease the non-restricted equity. The authorisation is in effect for a period of 18 months from the date of decision of the AGM.

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

Organisation of the Board of Directors

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

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

Share Repurchases

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

A total of 1,086,000 own shares were repurchased during the period March 25–August 23, 2008 at an average price of EUR 21.73. Cargotec held a total of 2,990,725 class B shares on December 31, 2008.

Short-term Risks and Uncertainties

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

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

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

Events after the reporting period

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

Board of Director's Proposal on the Distribution of Profit

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

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

Outlook

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

Financial calendar

Annual Report 2008 available on the Cargotec's internet pages, week 7
Annual General Meeting on Thursday March 5, 2009
Record date for dividend on Tuesday March 10, 2009
Dividend payment on Tuesday March 17, 2009
Interim Report for the period January–March on Tuesday April 28, 2009
Interim Report for the period January–June on Monday July 20, 2009
Interim Report for the period January–September on Thursday October 22, 2009

Helsinki, February 2, 2009
Cargotec Corporation
Board of Directors

Consolidated Income Statement

MEUR	10-12/2008	10-12/2007	1-12/2008	1-12/2007
Sales	923.5	867.5	3,399.2	3,018.2
Cost of goods sold	-763.8	-689.3	-2,762.5	-2,376.8
Non-recurring items *	-	-18.0	-	-18.0
Gross profit	159.7	160.3	636.7	623.4
Gross profit, %	17.3 %	18.5 %	18.7%	20.7%
Other operating income	15.0	6.7	39.1	26.8
Selling and marketing expenses	-49.4	-54.3	-189.9	-197.4
Research and development expenses	-13.2	-10.4	-43.6	-38.9
Administration expenses	-58.7	-44.7	-212.0	-176.1
Restructuring costs	-19.1	-	-19.1	-
Other operating expenses	-18.1	-11.4	-38.0	-34.9
Share of associated companies' and joint ventures' net income	0.5	0.1	0.6	0.3
Operating profit	16.8	46.3	173.7	203.1
Operating profit, %	1.8 %	5.3 %	5.1%	6.7%
Financing income	1.8	5.6	16.0	16.7
Financing expenses	-15.2	-12.2	-44.5	-35.5
Income before taxes	3.4	39.7	145.2	184.4
Income before taxes, %	0.4 %	4.6 %	4.3%	6.1%
Taxes	5.6	-10.8	-24.4	-46.0
Net income for the period	9.0	28.9	120.8	138.4
Net income for the period, %	1.0 %	3.3 %	3.6%	4.6%
Net income for the period attributable to:				
Equity holders of the Company	8.5	27.8	118.4	136.5
Minority interest	0.4	1.1	2.4	1.8
Total	9.0	28.9	120.8	138.4
Earnings per share for profit attributable to the equity holders of the Company:				
Basic earnings per share, EUR	0.14	0.45	1.91	2.17
Diluted earnings per share, EUR	0.14	0.44	1.91	2.16

*Kalmar business area related container spreader inspection and repair programme

Consolidated Balance Sheet

MEUR	31.12.2008	31.12.2007
ASSETS		
Non-current assets		
Goodwill	669.2	670.2
Other intangible assets	85.0	81.0
Property, plant and equipment	283.5	253.7
Investments in associated companies and joint ventures	7.0	4.8
Available-for-sale investments	2.0	2.3
Loans receivable and other interest-bearing assets 1)	7.7	5.5
Deferred tax assets	97.2	55.5
Derivative assets	55.0	8.9
Other non-interest-bearing assets	8.1	12.0
Total non-current assets	1,214.6	1,094.0
Current assets		
Inventories	881.9	657.4
Loans receivable and other interest-bearing assets 1)	0.2	0.4
Income tax receivables	18.5	18.3
Derivative assets	130.4	50.8
Accounts receivable and other non-interest-bearing assets	714.0	582.8
Cash and cash equivalents 1)	79.2	179.0
Total current assets	1,824.3	1,488.7
Total assets	3,038.9	2,582.6

1) Included in interest-bearing net debt

MEUR	31.12.2008	31.12.2007
EQUITY AND LIABILITIES		
Equity attributable to the equity holders of the Company		
Share capital	64.3	64.2
Share premium account	98.0	97.4
Treasury shares	-93.6	-70.0
Translation differences	-20.4	-29.6
Fair value reserves	-54.5	19.9
Retained earnings	861.6	808.7
Total equity attributable to the equity holders of the Company	855.3	890.6
Minority interest	9.1	6.1
Total equity	864.4	896.7
Non-current liabilities		
Loans 1)	440.2	433.3
Deferred tax liabilities	43.0	38.5
Pension obligations	33.5	35.2
Provisions	34.6	38.4
Derivative liabilities	84.5	14.9
Other non-interest-bearing liabilities	26.6	53.2
Total non-current liabilities	662.5	613.6
Current liabilities		
Current portion of long-term loans 1)	4.0	3.5
Other interest-bearing liabilities 1)	110.6	51.6
Provisions	70.4	70.8
Income tax payables	53.2	46.9
Derivative liabilities	129.3	17.6
Accounts payable and other non-interest-bearing liabilities	1,144.4	882.0
Total current liabilities	1,512.0	1,072.4
Total equity and liabilities	3 ,038.9	2,582.6

1) Included in interest-bearing net debt. In addition, the calculation of the interest-bearing net debt includes the hedging of cross-currency risk relating to the USD 300 million Private Placement bond, totalling on December 31, 2008, EUR 10.2 (Dec 31, 2007: 21.9) million.

Consolidated Statement of Changes in Equity

	Attributable to the equity holders of the company								
MEUR	Share capital	Share premium account	Treasury shares	Translation differences	Fair value reserves	Retained earnings	Total	Minority interest	Total equity
Equity on 31.12.2006	64.0	96.0	-23.9	-12.0	10.5	734.2	868.8	8.0	876.8
Gain/loss on cash flow hedges booked to equity *					18.5		18.5	-0.0	18.5
Gain/loss on cash flow hedges transferred to IS					-9.1		-9.1		-9.1
Translation differences				-17.6			-17.6	-0.7	-18.3
Net income recognised directly in equity	-	-	-	-17.6	9.4	-	-8.2	-0.7	-8.9
Net income for the period						136.5	136.5	1.8	138.4
Total recognised income and expenses for the period	-	-	-	-17.6	9.4	136.5	128.4	1.1	129.5
Dividends paid						-63.2	-63.2	-0.5	-63.7
Shares subscribed with options	0.2	1.3					1.5		1.5
Acquisition of treasury shares			-46.1				-46.1		-46.1
Share-based incentives, value of received services *						1.2	1.2		1.2
Other changes							-	-2.5	-2.5
Equity on 31.12.2007	64.2	97.4	-70.0	-29.6	19.9	808.7	890.6	6.1	896.7
Gain/loss on cash flow hedges booked to equity *					-103.6		-103.6	0.4	-103.2
Gain/loss on cash flow hedges transferred to IS					29.2		29.2		29.2
Translation differences				9.2			9.2	0.6	9.8
Total net income recognised directly in equity	-	-	-	9.2	-74.5	-	-65.3	1.0	-64.2
Net income for the period						118.4	118.4	2.4	120.8
Total recognised income and expenses for the period	-	-	-	9.2	-74.5	118.4	53.2	3.4	56.6
Dividends paid						-65.3	-65.3	-0.6	-66.0
Shares subscribed with options	0.1	0.6					0.7		0.7
Acquisition of treasury shares			-23.6				-23.6		-23.6
Share-based incentives, value of received services *						-0.2	-0.2		-0.2
Other changes							-	0.2	0.2
Equity on 31.12.2008	64.3	98.0	-93.6	-20.4	-54.5	861.6	855.3	9.1	864.4

* Net of tax

Consolidated Cash Flow Statement

MEUR	1-12/2008	1-12/2007
Net income for the period	120.8	138.4
Depreciation and impairments	60.1	59.8
Financing items and taxes	52.9	64.7
Change in receivables	-171.2	-118.4
Change in payables	309.3	198.5
Change in inventories	-237.5	-107.6
Other adjustments	-0.6	-0.4
Cash flow from operations	133.8	235.1
Interest received	4.9	5.6
Interest paid	-25.5	-12.0
Dividends received	0.0	0.0
Other financial items	11.2	-12.5
Income taxes paid	-30.7	-43.6
Cash flow from operating activities	93.7	172.6
Capital expenditure	-113.2	-90.8
Proceeds from sales of fixed assets	15.0	12.5
Acquisitions, net of cash	-46.5	-172.5
Cash flow from investing activities, other items	-10.5	-13.5
Cash flow from investing activities	-155.1	-264.3
Proceeds from share subscriptions	0.7	1.5
Acquisition of treasury shares	-23.6	-46.1
Proceeds from long-term borrowings	0.7	274.5
Repayments of long-term borrowings	-2.4	-29.5
Proceeds from short-term borrowings	61.3	40.8
Repayments of short-term borrowings	-32.0	-31.5
Dividends paid	-66.6	-63.8
Cash flow from financing activities	-61.9	145.9
Change in cash	-123.3	54.2
Cash, cash equivalents and bank overdrafts at the beginning of period	167.5	114.5
Effect of exchange rate changes	1.7	-1.1
Cash, cash equivalents and bank overdrafts at the end of period	45.9	167.5
Bank overdrafts at the end of period	33.3	11.4
Cash and cash equivalents at the end of period	79.2	179.0

KEY FIGURES

		1-12/2008	1-12/2007
Equity/share	EUR	13.95	14.29
Interest-bearing net debt	MEUR	477.8	325.5
Total equity/total assets	%	33.0	38.3
Gearing	%	55.3	36.3
Return on equity	%	13.7	15.6
Return on capital employed	%	12.7	16.8

Segment Reporting

Sales by geographical segment, MEUR	1-12/2008	1-12/2007
EMEA	1,901	1,677
Americas	556	647
Asia Pacific	942	695
Total	3,399	3,018

Sales by geographical segment, %	1-12/2008	1-12/2007
EMEA	55.9 %	55.6 %
Americas	16.4 %	21.4 %
Asia Pacific	27.7 %	23.0 %
Total	100.0 %	100.0 %

Sales, MEUR	1-12/2008	1-12/2007
Hiab	907	931
Kalmar	1,515	1,343
MacGREGOR	985	748
Internal sales	-8	-4
Total	3,399	3,018

Operating profit, MEUR	1-12/2008	1-12/2007
Hiab	49.4 *	73.8
Kalmar	89.6 *	105.5 **
MacGREGOR	83.6	59.4
Corporate administration and other	-29.8	-17.5
Operating profit from operations	192.8 *	221.1 **
Restructuring costs	-19.1	-
Container spreader inspection and repair programme	-	-18.0
Total	173.7	203.1

Operating profit, %	1-12/2008	1-12/2007
Hiab	5.4 % *	7.9 %
Kalmar	5.9 % *	7.9 % **
MacGREGOR	8.5 %	7.9 %
Cargotec, operating profit from operations	5.7 % *	7.3 % **
Cargotec	5.1 %	6.7 %

* Excluding restructuring costs of which business segment Hiab accounted for EUR 14.1 million, Kalmar for EUR 4.5 million and Corporate administration for EUR 0.3 million.

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

Orders received, MEUR	1-12/2008	1-12/2007
Hiab	818	985
Kalmar	1,566	1,429
MacGREGOR	1,393	1,696
Internal orders received	-9	-4
Total	3,769	4,106

Order book, MEUR	31.12.2008	31.12.2007
Hiab	164	260
Kalmar	704	660
MacGREGOR	2,187	1,946
Internal order book	-1	-1
Total	3,054	2,865

Capital expenditure, MEUR	1-12/2008	1-12/2007
In fixed assets (excluding acquisitions)	75.7	52.5
In leasing agreements	1.1	0.7
In customer financing	35.9	37.5
Total	112.8	90.7

Number of employees at the end of period	31.12.2008	31.12.2007
Hiab	4,308	4,418
Kalmar	4,766	4,459
MacGREGOR	2,577	2,223
Corporate administration	175	87
Total	11,826	11,187

Average number of employees	1-12/2008	1-12/2007
Hiab	4,509	4,091
Kalmar	4,680	4,233
MacGREGOR	2,449	1,880
Corporate administration	139	72
Total	11,777	10,276

Notes

Taxes in income statement

MEUR	1-12/2008	1-12/2007
Current year tax expense	44.3	56.2
Change in deferred tax assets and liabilities	-9.7	-3.9
Tax expense for previous years	-10.2	-6.3
Total	24.4	46.0

Commitments

MEUR	31.12.2008	31.12.2007
Guarantees	0.6	2.2
Dealer financing	0.2	8.4
End customer financing	11.5	7.5
Operating leases	48.0	47.7
Off balance sheet investment commitments	-	1.2
Other contingent liabilities	4.0	3.7
Total	64.3	70.6

Cargotec leases property, plant and equipment under non-cancellable operating leases. The leases have varying terms and renewal rights.
It is not anticipated that any material liabilities will arise from trade finance commitments.

The future minimum lease payments under non-cancellable operating leases

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

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

Fair values of derivative financial instruments

MEUR	Positive fair value 31.12.2008	Negative fair value 31.12.2008	Net fair value 31.12.2008	Net fair value 31.12.2007
FX forward contracts, cash flow hedges	79.6	199.0	-119.4	11.3
FX forward contracts, non-hedge accounted	82.1	14.9	67.2	20.7
Cross currency and interest rate swaps, cash flow hedges	23.7	-	23.7	-4.9
Total	185.4	213.8	-28.4	27.1
Non-current portion:				
FX forward contracts, cash flow hedges	31.3	84.5	-53.2	-1.1
Cross currency and interest rate swaps, cash flow hedges	23.7	-	23.7	-4.9
Non-current portion	55.0	84.5	-29.5	-6.0
Current portion	130.4	129.3	1.1	33.2

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

Nominal values of derivative financial instruments

MEUR	31.12.2008	31.12.2007
FX forward contracts	3,617.5	2,610.0
Cross currency and interest rate swaps	225.7	225.7
Total	3,843.3	2,835.7

Acquisitions

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

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

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

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

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

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

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

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

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

Accounting Principles

The interim report has been prepared according to the International Accounting Standard 34: Interim Financial Reporting.
The accounting policies adopted are consistent with those of the annual financial statements of 2008. All figures presented have been rounded and consequently the sum of individual figures may deviate from the presented sum figure.

Adoption of new interpretation starting in January 1, 2008

Starting from January 1, 2008 Cargotec has adopted the following new interpretation by the IASB published in 2007:

- IFRIC 14, IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction.

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

In addition, Cargotec has the applied the changes to standards "IAS 39 Financial Instruments: Recognition and Measurement" and "IFRS 7 Financial Instruments: Disclosures", known as "Reclassification of Financial Assets", given in October 2008. The amendments have no material impact on 2008 financial statements, as Cargotec had no such assets whose reclassification management estimated to be necessary.

Calculation of key figures

Equity / share	=		Total equity attributable to the shareholders of the parent company ______________________ Share issue adjusted number of shares at the end of period (excluding treasury shares)
Interest-bearing net debt	=		Interest-bearing debt* - interest-bearing assets
Total equity / total assets (%)	=	100 x	Total equity ______________________ Total assets - advances received
Gearing (%)	=	100 x	Interest-bearing debt* - interest-bearing assets ______________________ Total equity
Return on equity (%)	=	100 x	Net income for period ______________________ Total equity (average for period)
Return on capital employed (%)	=	100 x	Income before taxes + interest and other financing expenses ______________________ Total assets - non-interest-bearing debt (average for period)
Basic earnings / share	=		Net income for the period attributable to the shareholders of the parent company ______________________ Share issue adjusted weighted average number of shares during the period (excluding treasury shares)

* Including cross currency hedging of the USD 300 million Private Placement corporate bonds.

Quarterly Figures

Cargotec		Q4/2008		Q3/2008	Q2/2008	Q1/2008	Q4/2007	
Orders received	MEUR	633		967	1,013	1,155	1,214	
Order book	MEUR	3,054		3,486	3,360	3,287	2,865	
Sales	MEUR	924		848	901	727	868	
Operating profit	MEUR	35.9	*	49.6	63.1	44.2	64.3	**
Operating profit	%	3.9	*	5.8	7.0	6.1	7.4	**
Basic earnings/share	EUR	0.14		0.66	0.61	0.50	0.45	

Hiab		Q4/2008		Q3/2008	Q2/2008	Q1/2008	Q4/2007
Orders received	MEUR	157		194	238	228	254
Order book	MEUR	164		229	238	253	260
Sales	MEUR	216		209	253	230	244
Operating profit	MEUR	3.7	*	9.5	18.5	17.7	19.1
Operating profit	%	1.7	*	4.5	7.3	7.7	7.8

Kalmar		Q4/2008		Q3/2008	Q2/2008	Q1/2008	Q4/2007	
Orders received	MEUR	348		365	363	490	346	
Order book	MEUR	704		778	790	824	660	
Sales	MEUR	413		386	396	322	364	
Operating profit	MEUR	12.1	*	25.8	32.3	19.4	26.9	**
Operating profit	%	2.9	*	6.7	8.2	6.0	7.4	**

MacGREGOR		Q4/2008	Q3/2008	Q2/2008	Q1/2008	Q4/2007
Orders received	MEUR	129	411	415	439	616
Order book	MEUR	2,187	2,480	2,334	2,211	1,946
Sales	MEUR	298	256	254	177	261
Operating profit	MEUR	30.7	19.1	21.9	11.9	22.3
Operating profit	%	10.3	7.5	8.6	6.7	8.6

* Excluding restructuring costs of which business segment Hiab accounted for EUR 14.1 million, Kalmar for EUR 4.5 million and Corporate administration for EUR 0.3 million.

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