# ANNUAL REPORT 2011

ONE IS MORE

CARGOTEC

# In this report

## At a glance



## Business



## Governance



## Financials



## For investors

# Driving performance and delivering value for customers

Dear reader,

For Cargotec, 2011 was a year of improved performance and agile adaptation to the ever changing market.

Our refined strategy proved itself worthy in action – we secured a firm position as a leading solution provider and delivered the financial results we forecasted. Perhaps most importantly, we achieved our goal of growing faster than the market average.

A great deal of uncertainty marked 2011 for sad and unfortunate reasons, such as natural disasters in Asia and the euro crisis. Outlooks were mixed and forecasts at times difficult to make.

Yet in retrospect, business was fairly good in 2011. The global markets did better than many imagined. Dynamic decision making and substantial orders marked customer relations and many markets showed a healthy hunger for growth.

## Our global markets

As a global business with a strong local presence, the world presents us with diverse opportunities. In 2011, South East Asia was once again an important market for Cargotec with the smaller economies growing in tow of the ever strong China, whose positive ripple effects landed as far as the shores of Australia.

Europe followed a clear pattern; the further south the market, the more challenging the business environment. Northern and Central Europe remained strong markets for Cargotec. The markets in the Middle East were also good for us, although there too we have business areas with much room for growth.

A number of important deals were made in South America, including, for example, Venezuela and Mexico, and business potential in this market is still increasing. The North American markets have seen better years, but there too the market is looking healthier than many would expect. Notable deals include signing an agreement for Cargotec to deliver ten state-of-the-art Kalmar automatic stacking cranes and a customer-specific automatic horizontal transport system to TraPac, Inc. in Los Angeles, USA.

Some positive trends drive our business around the world. Economic growth or decline, the number of containers is going up. This is due to many reasons, with safety, cost efficiency and green values as evident drivers of the container trend. To Cargotec, increasing container numbers are good news: ultimately this trend translates into larger ships, larger ports and terminals, and larger cranes.

## Creating value for our customers

For us, 2011 was the year of the customer. It was a year of making every effort to work hand in hand with our customers and deliver the solutions they seek. Finding out how we can create value for our customers is the core of our operations as a solution provider.

We took many steps to enhance our ability to create value. Acquiring Navis at the beginning of 2011 enabled the development of automation in ports, and the London Gateway deal is a concrete stepping stone on our route to becoming the world's leading solutions provider.

Also, our joint venture with Jiangsu Rainbow Heavy Industries, the competence centres we set up in Singapore and Tampere, our Port 2060 initiative through which we are envisioning the port of the future – all these actions were motivated by our aspiration to create unparalleled value for our customers. Put together, they give a clear message: we aim to change the market.

## New operating model from 2012

From the beginning of 2012, Cargotec has implemented a new operating model. Our operations are now divided into four business areas: Marine, Terminals, Load Handling and Services. The prospects for all four are good, although their starting points are substantially different.

In 2011, Marine continued to be strong. These very good results have largely been due to merchant shipping, but in the upcoming years offshore will also enjoy better prospects than it has had in a long time.

Terminals is heading in the right direction. Automation projects and our solution-driven business approach, together with product sales, have benefitted this business area. We have done a lot to develop our terminals business, and it has paid off.

Load Handling is facing a year of many changes due to reorganising and development activities and, as a new business area, will be well equipped for improved performance. Load Handling has set a long-term goal of achieving a leading position globally in truck-mounted equipment. We are expecting urbanisation to act as a strong market driver for this area in the coming years. Just as for Marine, Terminals and Services, the key to growth lies in deep customer knowledge.

Services was in a good position to compete. Given the nature of this line of business, we acknowledge that larger scale growth will take time. During 2012, we intend to complete the creation of our unified Services organisation and to continue developing a global network of high quality on-call and contract services that support our customers' operations.

As Cargotec realises its new operating model, the company continues to support the ten principles of the UN Global Compact. This initiative 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.

## Prepared for tomorrow

At Cargotec, we envision a future where true partnerships are at the heart of customer relations. Our customers, both in the shipbuilding and terminal businesses, have already experienced a notable trend towards consolidation. They want a strong relationship from a provider that matches them in size and geographic presence. A partner who wishes to build the future together with them – a partner who knows what ships, ports, cranes and trucks will look like 30 years into the future and beyond. Yet most of all, big or small, our customers want a partner who listens to their wishes, so that they can make future dreams a reality.

Providing sustainable solutions is for Cargotec the most efficient way to support a more sustainable future. Our customers are gradually facing the depletion of critical raw material resources to society, such as oil and metals. As the move to new energy sources continues, demand for electric and automation technology becomes higher. Cargotec is prepared to support its customers in this change.

Strong global growth is what everyone is hoping for. To Cargotec, 2012 looks positive whichever way the markets turn. We have transformed our business to reach our vision. Our refined strategy is built upon the notion of agility and staying in tune with our customers. Come what may, we are prepared to grow faster than the market.

Cargotec has worked hard to become the company we aspire to be. We have built a unified organisation, complete with shared processes around the globe. This task has been far from easy for our employees, but the outcome is deserving of praise. 2011 demonstrated beyond doubt that One is More. I wish to thank our personnel for a good year.

I would like to finish by thanking our customers and business partners for their trust and support. We will do our utmost to exceed your expectations and continue to provide you with the optimum cargo handling solutions.

**Mikael Mäkinen**
President and CEO

# Highlights 2011

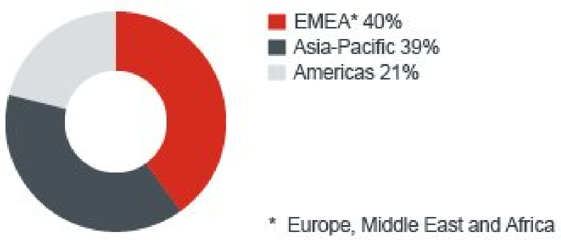
In 2011, orders continued to grow, despite the prevailing economic uncertainty. Very good results in our Marine business area were largely achieved thanks to solid business in the merchant shipping segment and the large number of cargo equipment delivered for bulk vessels. Our Industrial & Terminal business area received important orders globally. The main markets for load handling solutions were marked by strong activity, aside from US-based construction. Higher demand for container handling equipment in harbours reflected the higher number of containers handled in ports during the year.

## Key figures

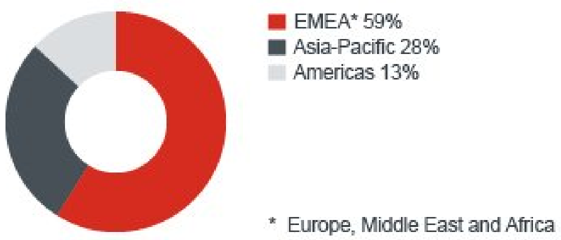
| | | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|---|
| Orders received | MEUR | 3,233 | 2,729 | 1,828 | 3,769 | 4,106 |
| Order book | MEUR | 2,426 | 2,356 | 2,149 | 3,054 | 2,865 |
| Sales | MEUR | 3,139 | 2,575 | 2,581 | 3,399 | 3,018 |
| Operating profit | MEUR | 207.0 | 131.4 | 0.3 | 173.7 | 203.1 |
| Operating profit from operations* | MEUR | 207.0 | 141.9 | 61.3 | 192.8 | 221.1 |
| Net income for the period | MEUR | 149.3 | 78.0 | 7.1 | 120.8 | 138.4 |
| Return on equity | % | 13.3 | 8.0 | 0.8 | 13.7 | 15.6 |
| Return on capital employed | % | 13.3 | 8.6 | 0.2 | 12.7 | 16.8 |
| Gearing | % | 25.4 | 16.0 | 38.0 | 55.3 | 36.3 |

*Excludes non-recurring items

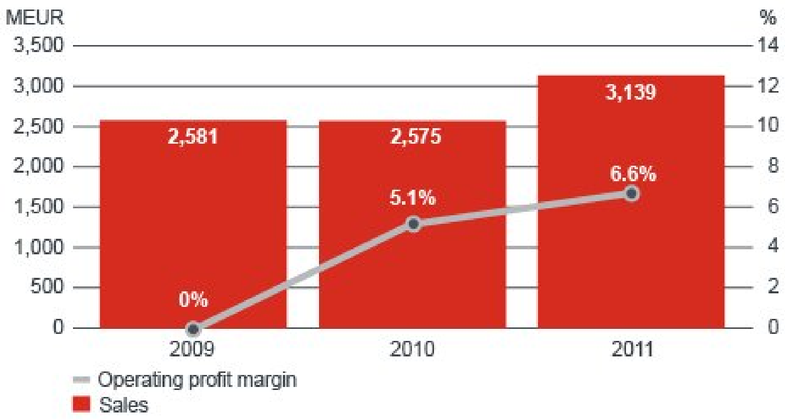
## Sales by market area



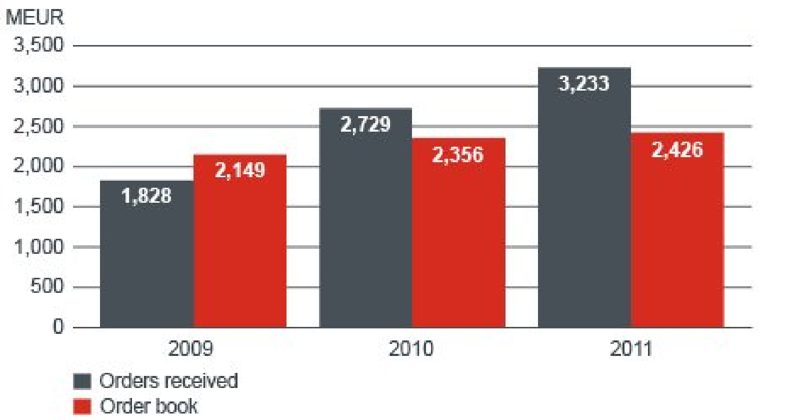

## Employees by region



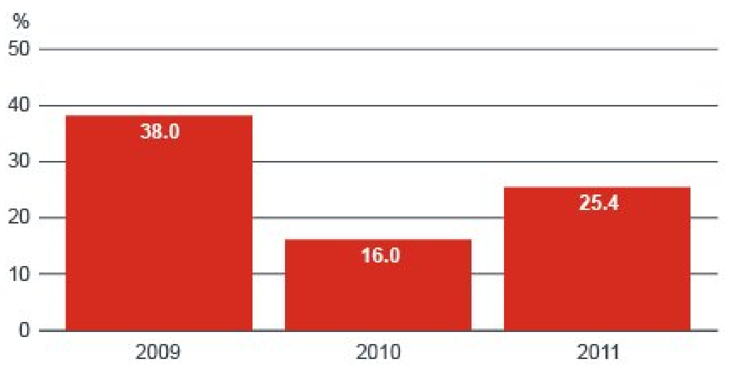
### Sales and operating profit margin



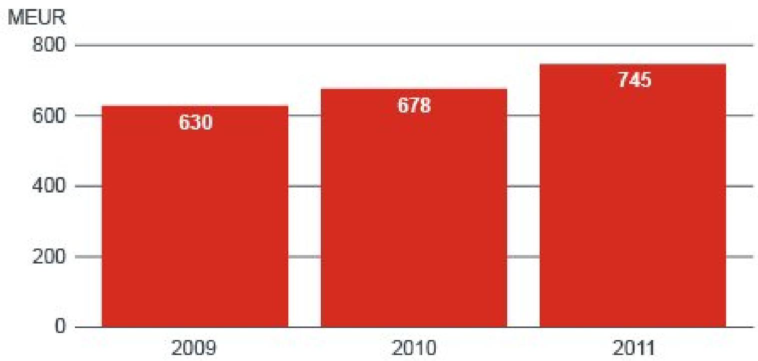

### Orders received and order book




### Gearing



### Services sales




## Investments in attractive customer segments

Cargotec took several steps towards enhancing customer focus and creating value in attractive customer segments. To support its customer-focused strategy, Cargotec acquired Navis, a US-based terminal operating systems (TOS) provider, in early 2011. The acquisition combines Navis' flexible and scalable TOS software with Cargotec's leading automation solutions for container handling equipment.

In June, Cargotec announced the opening of its competence centre in Singapore which, in cooperation with the technology and competence centre in Tampere, Finland, focuses on developing automation systems for terminals.

## Major orders in port automation

Cargotec's efforts in port automation began to bear fruit as the company won two major port automation contracts during the year. At the beginning of October, DP World chose Cargotec as its partner for the London Gateway port automation project. Another large port automation order from TraPac, Inc. in Los Angeles, USA, was also announced.

## Strengthening foothold in emerging markets

Emerging markets continued to grow in significance. China and South Korea are the leading shipbuilding countries, accounting for most newbuilding capacity, and Cargotec's MacGregor solutions have a strong market share in these countries. One of 2011's order highlights from China consisted of over a hundred MacGregor cargo cranes for bulk carriers.

In July, Cargotec unveiled plans to establish a joint venture with Jiangsu Rainbow Heavy Industries Co., Ltd. in China to provide leading heavy crane solutions globally.

## Strong commitment to sustainability

Cargotec 's commitment to sustainable operations was further strengthened by re-evaluating the Pro Future™ criteria. Pro Future™ is the company's label for products fulfilling a set of strict environmental criteria, taking account of environmental impacts on a larger scale than previously. A new product, Hiab Multilift XR18S – Pro Future™, a hooklift several hundred kilogrammes lighter than comparable products, was introduced. When used on a three-axle truck, a 30 percent reduction in both emissions and fuel consumption can be reached on an average.

## Aligned processes strive for internal clarity

Cargotec continued to emphasise internal clarity and defined common quality, environment, health and safety (QEHS) policies and processes. The creation of Cargotec's common business system platform is proceeding well and this work is aligned with the implementation of core processes. In addition, the company emphasised a common project culture with the implementation of the Cargotec project model.

## Change of operating model to accelerate strategy implementation

In October, Cargotec announced that it would accelerate the implementation of its strategic initiatives by adapting a new operating model. At the beginning of 2012, the Industrial & Terminal business area was divided into two new business areas: Terminals and Load Handling.

## Drive to understand customer needs

Cargotec's offshore business and the local Japanese team received the Best Supplier 2010 award from the Mitsubishi Heavy Industries Shimonoseki shipyard in Japan. The award was received as recognition of the company's drive to understand future customer needs through the provision of an extensive geographic presence and strong collaboration with customers.

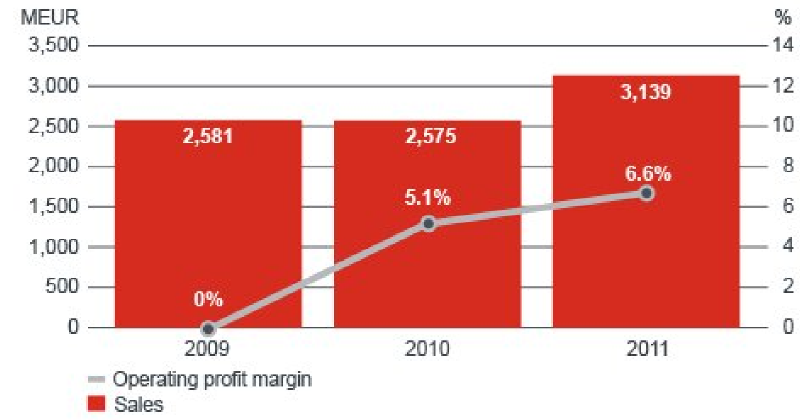
The International Bulk Journal's (IBJ) Safety in Bulk Handling award was granted to Cargotec's new Siwertell Sulphur Safety System designed to minimise the risk of explosions and detect fires when handling sulphur. In addition, Cargotec won the award of Container Handling Equipment Supplier of the year in the Second All-India Maritime and Logistics Awards (MALA) 2011 in India.

Highlights of the year also include the Port 2060 initiative that sparked discussion within the terminal operations sector about the challenges and solutions that will be relevant to containerisation as it approaches its centenary.

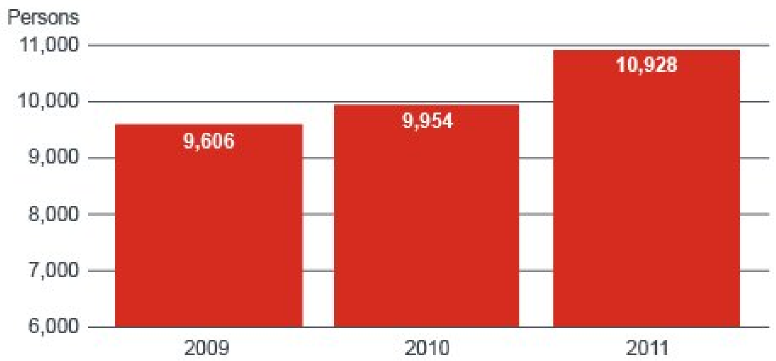
# Company overview

Cargotec is one of the world's leading providers of cargo handling solutions. Our products are present in every major cargo hub worldwide. They are used in ships, ports, terminals, distribution centres, heavy industry and in on-road load handling.

### Sales and operating profit margin




### Number of employees at the end of year




Cargotec was formed in 2005. However, the businesses within Cargotec have much longer histories during which their know-how, product offering and customer relationships have grown. These deep roots and accumulated knowledge are reflected in Cargotec's strong expertise.

Cargotec's daughter brands, Hiab, Kalmar and MacGregor, are recognised market leaders in their fields. In terms of ability to offer end-to-end cargo handling solutions, there is no single competitor that can match the breadth of Cargotec's offering and global presence.

With operations in more than 120 countries and more than 600 sales and service locations worldwide, we have unique global coverage and can serve our customers locally ensuring the continuous operation of their products.

Our corporate base is in Helsinki, Finland, while in 2011 our production facilities were located in China, Estonia, Finland, India, Ireland, Malaysia, the Netherlands, Norway, Poland, Singapore, South Korea, Spain, Sweden and the United States. Part of our manufacturing has been outsourced to partner plants located mainly in Asia.

# Business environment

Demand for Cargotec's products and services is based on increasing world trade as well as the needs of land and sea transportation. Our primary market drivers include:

- World trade development
- Cargo volumes and container traffic
- Investments in ports and logistics terminals
- Ship building
- Truck registration
- Construction industry activity
- Offshore industry activity including deepsea oil drilling

# Vision, mission and values

Cargotec’s mission is to improve the efficiency of cargo flows. Our vision is to be the world’s leading provider of cargo handling solutions.

Our core values are global presence – local service, working together and sustainable performance, These help us to realise our customer promise: we keep cargo on the move™.

- **Global presence – local service**. Cargotec is a truly global company, employing people from all backgrounds and offering services close to the customer.
- **Working together**. Cargotec's unique combination of global presence and local service would not be possible without working together. In  Cargotec, collaboration encompasses both internal processes and customer relationships.
- **Sustainable performance**. Our third value is present in everything we do. Our commitment to sustainable business shows what we are striving for as a company. For our customers and other stakeholders, sustainable performance translates into reliability, high uptime, competitiveness and profitability. Sustainable performance also means developing solutions that comply with the highest environmental standards.

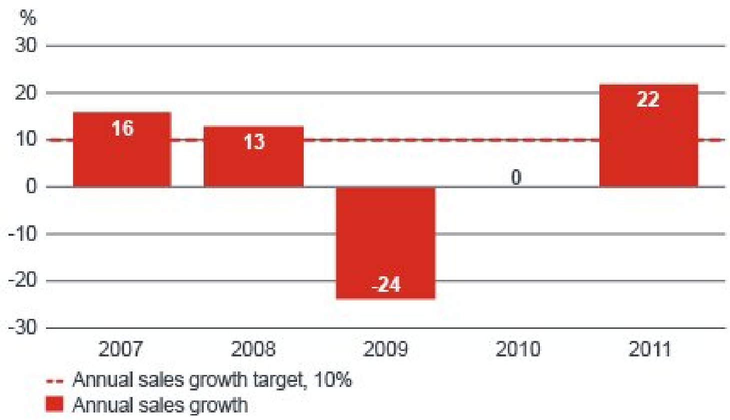
# Financial targets

Our strategic target is to grow faster than the industry on average. To achieve this in the global market, Cargotec's strategy identifies four focus areas critical for future success: customers, services, emerging markets and internal clarity.

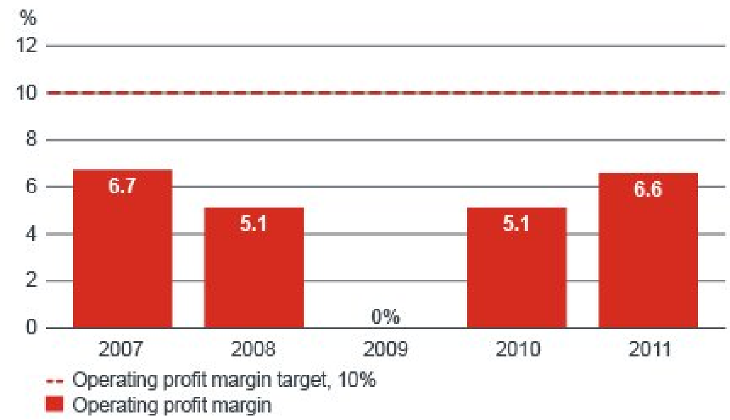
Cargotec's financial targets are:

- 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

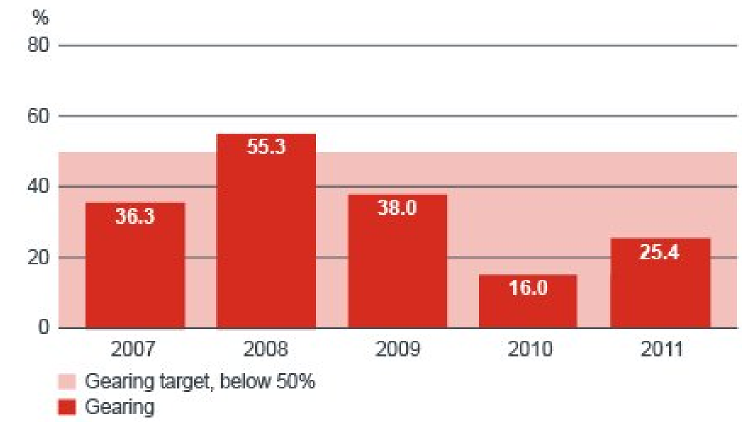
## Annual sales growth 2007–2011



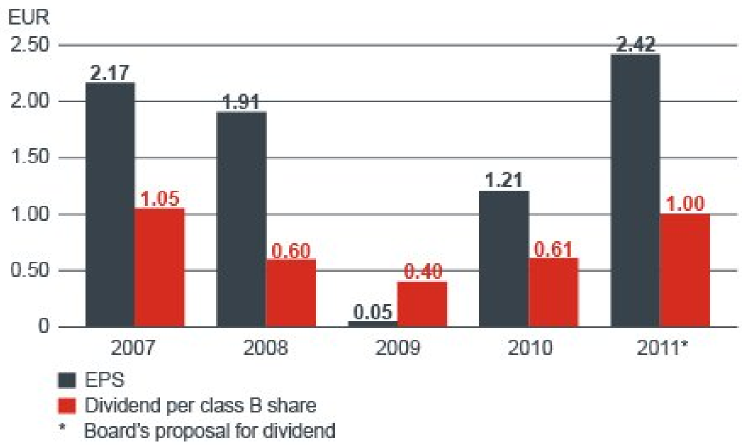

## Operating profit margin 2007–2011



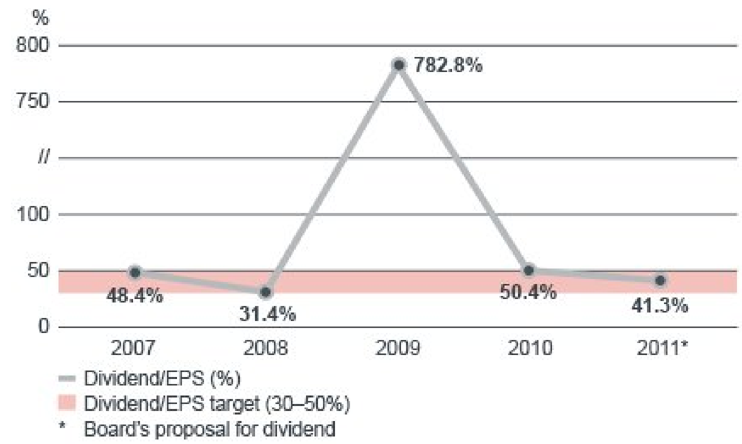
## Gearing 2007–2011




## Earnings per share and dividend, €




## Dividend/EPS, class B share, %



# Customers

Cargotec is determined to grow its business through strong customer focus. We do not simply offer products, but provide integrated solutions and services designed to meet customers’ specific needs. Our customers include leading global and local players within their industries.

Hiab on-road load handling solutions are used in forestry, construction sites, distribution, waste handling and recycling and by the defence forces. Customers include transportation companies, municipalities and governments, fleet operators, single truck owners, rental companies and truck manufacturers.

Kalmar solutions are primarily used by port and terminal operators. Other customer groups include distribution centres, sawmills, pulp and paper and heavy industry.

The customers of MacGregor solutions are ship owners, ship and terminal operators, bulk handling terminals, shipbuilders, ports, navies and the offshore industry.

# Offering

Cargotec provides solutions for all cargo and load handling needs based on the market's widest product range and global service network.

Hiab solutions include loader cranes, demountables, forestry and recycling cranes, truck-mounted forklifts and tail lifts. This is the most extensive load handling equipment range in the industry.

Kalmar solutions include ship-to-shore and yard cranes, straddle and shuttle carriers, terminal tractors, reachstackers, empty container handlers, forklift trucks and log stackers.

MacGregor solutions include hatch covers, cranes, RoRo equipment, port equipment, cargo lashing systems and offshore load handling systems.

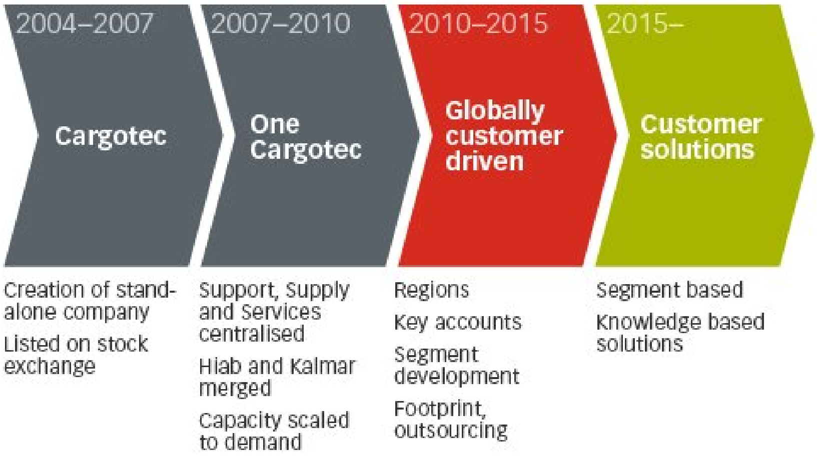
In addition, Cargotec's offering consists of Bromma spreaders, Navis terminal operating systems and Siwertell bulk handling systems.

Cargotec's solutions are supported by a variety of services, from spare parts to on-call service, refurbishment work, maintenance contracts and other customer-specific services.

# Towards customer solutions

Cargotec's strategy, refined to its current state in 2010, functions as a roadmap for finding growth and achieving the company's vision to be the world's leading provider of cargo handling solutions.

### Cargotec moves towards customer segment based operations




Our aim is to grow faster than the industry average. To reach this goal in the global market, Cargotec's strategy identifies four focus areas that are critical to our future success: customers, services, emerging markets and internal clarity.


- **Customers:** customers are our main focus. Listening to our customers, understanding their business and providing them with the optimum, value creating solution for every cargo handling situation is our key objective as a company.
- **Services:** we are currently building a global service organisation. Seeking growth from customers who are outsourcing their service operations and developing services in line with our customer's value chain are among our key targets.
- **Emerging markets:** as a global company with a strong local presence, we do not approach emerging markets as an outsider – we are already there, continually working to identify opportunities and achieve new growth through local knowledge and partnerships.
- **Internal clarity:** efficiency in actions and clear communication are prerequisites of success for a global company. With unified processes implemented throughout our global organisation, we are well on our way towards fulfilling our targets for internal clarity.

The realisation of our strategy is closely linked to sustainable performance, which means achieving a balanced development between financial results and the well-being of people and the environment.

Cargotec’s financial targets reflect the industry's growth expectations, as well as actions already taken, or to be taken, by the company. The financial targets are:

- 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

# Focus area: Customers

Building strong relationships with selected customers and translating customer needs into solutions was key for all Cargotec’s global operations. Cargotec took several steps in 2011 to enhance customer focus and create synergies with customer segmentation. The three customer segments chosen for close customer work were container terminals, merchant shipping and offshore.

Cargotec’s main strategic objectives for 2011 included building our position in selected customer segments and a focus on selected products. We placed major emphasis on winning port projects, as well as on developing account management and creating a comprehensive supply network strategy.

The most visible strategic decision regarding customers in 2011 arose in the form of our customer-oriented operating model. As of 1 January 2012, Cargotec’s Industrial & Terminal business area was divided into two new business areas, Terminals and Load Handling, with Cargotec's Supply organisation divided between these two. This customer-oriented operating model will increase transparency and further enhance Cargotec’s ability to respond agilely to market needs.

For 2011, container terminals was identified as the customer segment with the greatest potential to attain growth. Examples of achieving strategic targets and building our position in this segment include acquiring Navis, the US-based terminal operating systems (TOS) provider, establishing competence centres in Singapore and Tampere, and planning a joint venture with Jiangsu Rainbow Heavy Industries Co., Ltd. in China.

The establishment of the Terminals business area is a culmination of this process, and the partnership with DP World in the London Gateway port project in the United Kingdom is a landmark that will set the pace for the new business area in the coming years. Notable deals also include signing an agreement for Cargotec to deliver ten state-of-the-art Kalmar automatic stacking cranes and a customer-specific automatic horizontal transport system to TraPac, Inc. in Los Angeles, USA.

For merchant shipping the geographical shift in economic power especially to China resulted in an even stronger focus on strengthening operations in the area. Offshore’s notable strategic advances include winning Best Supplier award 2010 from Mitsubishi Heavy Industries Shimonoseki shipyard in Japan as recognition of a drive to understand future customer needs through the provision of an extensive geographic presence and strong collaboration with customers.

Cargotec was able to maintain market share in its core business and sharpened its focus on emerging markets. Key strategic initiatives regarding customer focus throughout Cargotec’s operations include our Strategic Account Management development programme, which offers a method for identifying and developing Cargotec’s key accounts. This programme is currently being developed and will be fully implemented by the end of 2012.

# Focus area: Services

Today, instead of individual products, customers increasingly expect complete solutions that include customised equipment and service concepts covering their entire life cycle.

In the service business, we seek new growth from customers who are outsourcing their service operations. Cargotec's aspiration is to evolve customer relationships from transactional to integrative ones through integration into the customers' value chain. Our long-term goal is to be recognised as the market leader in innovation led service delivery and knowledge based solutions.

Strategically, the Services business area has taken action to provide a comprehensive menu of high quality on-call and contract services via a global support network. To the same end, it has developed its ability to anticipate and lead the market by simulating future demand.

In 2011, the main strategic action targets met in the service business included establishing parts distribution centres in regions and building a competitive edge and position for outsourcing contracts. Asset management, including predictive analytics, in order to dispel uncertainty for customers through reliable expertise on their equipment was initiated.

Strategic accomplishments for our Services organisation include developing our service network and increasing our presence in significant growth markets. We maintained high responsiveness in all of the markets we serve and established a data-driven understanding of our customers' businesses and needs. Regionally, Services expanded its network in Brazil and on the west coast of Africa.

Internally, completing the creation of a unified Services organisation was our primary goal in 2011. This new organisation combines Industrial & Terminal services and Marine services to form a single Services business area and three main service regions, Europe, Middle East and Africa (EMEA), Asia-Pacific and Americas.

# Focus area: Emerging markets

The emerging markets are a pivotal cornerstone of growth for Cargotec. In emerging markets, Cargotec is growing its business through acquisitions, partnerships and organic growth. In 2011, our main strategic advances included new partnerships in China, most notably the planned joint venture Rainbow-Cargotec Industries Co Ltd, with which we aim to reposition Cargotec in the heavy cranes market and achieve a leading position in heavy cranes. Other strategic goals accomplished include establishing a set-up in Brazil and completing a detailed plan for our position in Africa.

Our strategic focus on emerging markets is driven by understanding local markets and accessing local competencies. Cargotec does not approach emerging markets as an outsider: we are already there, as an active part of the market. Our merchant shipping operations are focused primarily on the leading ship building countries, China and South Korea, where business operations are built around strong partnerships. Emerging markets also form key growth drivers for load handling, where strategic action focuses on outperforming the competition in terms of both quality and service, and building a strong foothold as the most reliable partner on the market.

Being able to retain key talent is an important part of succeeding in emerging markets. Cargotec mapped relevant universities for recruitment in China, India and Singapore in 2011, and secured a solid base for cooperation with universities via international research programmes.

Establishing a technology and competence centre in Singapore – the host of the world's largest port – was another important strategic step. Our Singapore centre will produce world-class simulation, research results and important new knowledge. Located close to customers at the heart of the growing markets, the Singapore competence centre will further strengthen Cargotec's ability to provide integrated solutions for container terminal customers around the world.

In China, Cargotec received a Customs Class AA enterprise certificate from China's General Administration of Customs in recognition of outstanding import and export performance. This certificate is recognised at all Chinese customs ports and awarded to long-standing enterprises with standardised operations and highly reliable customs clearance credit.

Emerging markets have a diverse impact on business development in our business regions, due to the economic climate and growth potential in their respective areas.

Our EMEA region concentrated on the action plan devised for Russia, Africa and the Middle East. EMEA strengthened its frontline, sales and service dealer structure team in focus markets and developed growth plans for each market. A pivotal part of EMEA's efforts dealt with ensuring a local presence in order to do business with local customers. In Russia, Cargotec signed an agreement of strategic cooperation with Rosmorport that coordinates Russian marine transport infrastructure development. The cooperation improves Cargotec's possibilities for high-level dialogue about Russian marine transport infrastructure development and enables involvement in the information flow for regulation of Eurasian ports.

In Asia-Pacific, crane refurbishment and projects for port cranes were important milestones, as was achieving a closer working relationship between various Cargotec business units. We also created a new entry business model in the region, which includes an entire low-cost value chain for cargo handling solutions in the Indian market.

Our main target in the Americas was to increase our presence and offerings in Latin America. Noteworthy actions in 2011 include the establishment of a Services organisation in Panama, the integration of all daughter brand offerings in Chile and Argentina, and the integration of Brazilian operations.

# Focus area: Internal clarity

As part of our process development initiative, the design and implementation of Cargotec's business processes and support processes continued during 2011. This involved establishing process governance in support of the implementation and continuous improvement of processes. Common processes enable the identification of synergy benefits and create a uniform, customer-driven approach shared by everyone in Cargotec. A common way of working also brings more transparency to the company's activities, and helps in sharing important information throughout the organisation.

To support common processes, Cargotec began to build a common business system platform. This is one of our key development projects over the next few years and our largest process implementation effort. Setting up a global and transparent system will help manage resources and facilitate the flow of information between all business functions across the organisation. In 2011, the first countries to prepare for roll-out of the new system were Belgium, the Netherlands, Germany and Austria in the EMEA region. More countries will follow in clusters during 2012: the goal is to have the common Cargotec business platform in place globally by the end of 2014.

Internal clarity is also being sought through another strategic initiative: the creation of a project management culture and competencies based on the Cargotec project model. Common project management methods and processes enable effective resourcing and ensure that all development projects support strategy execution.

Internal clarity is closely linked to our human resources management and strategy, also known as Cargotec's people strategy, which is further enhancing Cargotec's strong focus on leadership development and employee engagement. In 2012, effective change management and internal communications will play an important role in the implementation of our new operating model.

Strategy communication formed an integral part of enhancing internal clarity. Our strategy was shared with employees with the support of a key message – our strategy is up to people making it happen, and as a company Cargotec is as strong as its people. This message was communicated in team meetings throughout the organisation and directly linked to our personal development planning processes.

# Cargotec’s business in 2011

Cargotec keeps cargo on the move – on land and sea, worldwide. The company’s strategic target is to be the global market leader in cargo handling and it is determined to grow its business by strong customer focus. Cargotec expects to achieve growth by strengthening its position especially in the emerging markets and in the service business.

Although driven by Cargotec's ability to provide optimal customer solutions, the demand for the company's products and services is largely based on increasing world trade and the needs of land and sea transportation. Cargotec's market drivers include world trade development, cargo volumes and container traffic, investments in ports and logistics terminals, order intake of shipyards, truck registrations, construction and offshore industry activity.

For Cargotec, a global company with strong local presence, 2011 has been a year marked by many achievements and substantial deals throughout the world, despite a level of uncertainty that was prevalent around the globe.

The demand for solutions was met with an increasing ability to offer equipment, services and intelligence as a complete package to customers. Cargotec also won new contracts and customers due to its proximity to the markets, flexibility, and ability to deliver efficient and reliable solutions in a short delivery time.

From the beginning of 2012, Cargotec will be reporting with three external reporting segments: Marine, Terminals and Load Handling. This annual report, however, still follows the familiar pattern of Industrial & Terminal – including load handling solutions for different industries, inland transport and distribution, as well as solutions for ports and terminals – and Marine, which includes solutions for merchant shipping, offshore logistics and bulk handling.

# Industrial & Terminal

## A growing demand for industrial load handling solutions

Cargotec provides solutions for various industrial load handling applications. The company's extensive portfolio includes products and services for moving, hoisting, loading and unloading products, equipment or raw materials with Hiab loader cranes, Hiab Multilift demountables, Hiab Loglift forestry cranes, Hiab Jonsered recycling cranes, Hiab Moffett and Princeton PiggyBack® truck-mounted forklifts, Zepro, Focolift, Del and Waltco tail lifts, and Kalmar forklifts and logstackers.

Cargotec's wide offering serves comprehensive customer needs in various industrial sectors, including forestry, sawmills, pulp and paper, heavy industry, construction, waste handling, recycling, inland transport and distribution.

Although there was a level of uncertainty in many markets, positive development was also apparent around the globe and the demand for Cargotec's load handling solutions grew in all main markets apart from US-based construction. The global market for Cargotec's load handling solutions was fairly strong, with good sales figures and new products welcomed by customers. Material cost fluctuations affected component prices, which increased faster than anticipated and reduced Cargotec's margins.

Business highlights of 2011 included a global partnership with Siemens Windpower A/S. Under this agreement, Cargotec will supply custom-made Hiab loader cranes for service and maintenance of Siemens wind turbines globally.

## Increasing number of containers and interest in terminal automation

Cargotec provides solutions for efficient container handling for various customers in sea and river ports, container depots and intermodal terminals. The offering includes Kalmar ship-to-shore cranes, yard cranes, shuttle and straddle carriers, terminal tractors, reachstackers, empty container handlers and forklift trucks. In addition, Cargotec's Bromma offers spreaders and related technology for container handling equipment and Navis offers terminal operating systems (TOS) and services for managing cargo movements.

For Cargotec, offering the best products is not enough. Customers rely on integrated solution providers, partners who are able to make their business run better and give their processes added value. Cargotec's aspiration is to surpass these expectations.

Container handling business has gradually recovered from the volume dive since the global recession and performed well in most market areas during 2011. Globally, the number of containers continued to grow throughout the year, demonstrating again how containers are the primary way of moving goods and a preferred option in cargo transport. Container flows to inland areas via rail are also increasing.

As customers seek new, environmentally friendly, safe and efficient solutions for cargo handling, many of the largest newly built terminals in established markets are already committed to automation. In 2011, the interest towards fully automated terminals continued, and market activity for port automation projects increased globally.

One of the most important events of the year dates back to March, when Cargotec closed the acquisition of US-based terminal operating systems provider Navis. By integrating advanced equipment technology with operating system knowledge, Navis enables Cargotec to achieve an unparalleled competitive edge in port automation, a field Cargotec has pioneered since the 1990s.

In July, Cargotec announced the plans to establish a joint venture with Jiangsu Rainbow Heavy Industrial Co., Ltd. in China. With the planned joint venture, Cargotec's target is to further strengthen its position in Asia's heavy crane market and grasp new growth opportunities globally.

# Europe, Middle East and Africa

The euro crisis caused economic uncertainty in a number of European countries. Uncertainties in the business environment driven by sovereign debt difficulties marked the latter half of 2011.

In Europe, Middle East and Africa (EMEA), growth figures for load handling equipment demand went hand in hand with the general economic climate of the countries in the region. Increased truck sales and construction were driven by a strong economy in Central Europe, most notably Germany, and in Northern Europe. Investments in the forest business grew all through the year and waste operators started to invest again. Southern Europe remained a weak market area for load handling equipment as did the Middle East. Africa holds promise and many of the continent's countries are expected to develop as emerging markets in the years to come.

The EMEA region had a healthy demand volume for container handling solutions. Increased order intake in 2011 was also partly achieved by closer cooperation between Cargotec port cranes sales teams across regions to ensure a customer focused approach globally. Cargotec’s local presence and global service network could be leveraged as a differentiator in sales, providing added value for customers.

The EMEA region has seen an increase in port automation projects during 2011. Cargotec’s landmark automation project continued in Hamburg, Germany, where the company delivered a total of 15 automatic stacking cranes to Hamburger Hafen und Logistik’s (HHLA) Container Terminal Burchardkai. The most notable new contract in this region was signed in October 2011 when Cargotec was chosen as the preferred partner to supply 40 automatic stacking cranes with related technology and 28 shuttle carriers to DP World’s London Gateway project.

Other noteworthy deals include the signing of a large order for Kalmar ship-to-shore cranes, the first ever for West Africa. The deal includes four cranes with the option of four more for the French Bolloré group, through its fully-owned subsidiary Unicaf.

In October, Cargotec signed an agreement of strategic cooperation with Rosmorport that coordinates Russian marine transport infrastructure development. The cooperation improves Cargotec's possibilities for high-level dialogue about Russian marine transport infrastructure development and enables involvement in the information flow for regulation of Eurasian ports.

Important advances also included the world's largest port automation test area, which Cargotec is building in Tampere, Finland, to facilitate the testing and simulation of various solutions, including automated equipment and fleets, navigation systems, and remote steering and control.

# Asia-Pacific

Business for load handling equipment in the Asia-Pacific region had a good start that came to an abrupt halt, as business was significantly affected by the tsunami and its after effects in March 2011, lowering truck availability especially in Japan, Australia and Hong Kong. Load handling markets in these countries revived and contributed satisfying business gains by the end of the year.

The activity level of container terminal projects grew throughout the region in 2011. Intra-Asian trade and Asian container terminals expanded and Cargotec won a number of projects in India, Indonesia and Australia. International Container Services Inc (ICTSI) placed an order for eight rubber-tyred gantry cranes to the Philippines. Cargotec was able to recapture the major markets in South East Asia for forklift trucks and empty container handlers whilst maintaining market leadership in reachstackers. Interest towards port automation is also rising in the Asia-Pacific region.

Noteworthy achievements in Asia-Pacific include Cargotec completing the first unit retrofit of ship-to-shore cranes at the Northport container terminal in  Malaysia. After the refurbishing, Northport can enjoy low electrical replacement parts expenses in the next three to four years as well as a low electrical fault downtime in container handling operations.

In June, Cargotec announced the opening of its competence centre in Singapore, which focuses on developing customer-driven solutions for terminal customers. This initiative was further progressed by the signing of a cooperation agreement with Singapore-based ST Kinetics in November to jointly develop new automated products for the region.

The Chinese load handling market developed positively, and Cargotec aims to further improve its position. An example of efforts to gain a stronger foothold in the Chinese market include a new member in the Hiab truck-mounted stiff-boom crane family, the Hiab ST 080, which was launched for the Asian markets with a special focus on China.

In Australia, the mining industry was a driving force of increased demand for Cargotec’s load handling equipment. Important progress in India includes Cargotec's cooperation with the Indian Defence Forces, which resulted in the creation of new equipment support capabilities to assist logistics on deployed operations. In the autumn, Cargotec won the “Container Handling Equipment Supplier of the year” award in the Second All India Maritime and Logistics Awards (MALA) 2011.

# Americas

For Cargotec's container handling solutions, the Americas region had a great deal of activity in 2011, especially in South America, Panama and Columbia. One of the major market drivers in the region is the expansion of the Panama Canal – a project that will double the canal's capacity by 2014.

A notable automation agreement was signed by Cargotec in the United States to deliver ten state-of-the-art Kalmar automatic stacking cranes and a customer specific automatic horizontal transport system to TraPac, Inc., in Los Angeles. This was the first large automation order in the Americas region for Cargotec and it strengthens the company's position globally in port automation.

North America has traditionally been a strong market for Cargotec's load handling equipment. In 2011, Canada showed a positive development whereas the US-based construction industry remained stable. However, the strong demand for Cargotec's Waltco tail lifts was a promising sign from the US market. Cargotec also continued its loader cranes delivery programme for the US Department of Defense. South America's markets were slightly more positive, showing signs of development as economies grew. Especially the mining industry in Chile was at the forefront of positive development.

The US market is gradually looking more positive for reachstacker sales. There was also healthy development of demand for terminal tractors from distribution centres. An increasing number of forklift customers are becoming aware of the value of Cargotec's offering. A new electric forklift truck was introduced to North American customers in 2011.

The highlights of 2011 include a significant five-year material handling equipment frame agreement from the US Department of Defense. Under this agreement, Cargotec is estimated to supply approximately 1,890 light capability rough terrain forklifts, designed to provide customers with maximum savings in total ownership costs. The vehicles will be manufactured by Kalmar RT Center in Cibolo, Texas.

In South America, Cargotec secured a contract with the Venezuelan company Bolivariana de Puertos, S.A. including 28 reachstackers, three empty container handlers and 19 terminal tractors, as well as spare parts. A repeat order was received from Santos Brasil S/A for 12 rubber-tyred gantry cranes. In addition, high-performing ship-to-shore cranes were delivered to Mexico and Guadeloupe. International Container Services Inc (ICTSI) ordered four ship-to-shore cranes and ten rubber-tyred gantry cranes to a container terminal under construction on Mexico's Pacific coast.

Notable deals also include an order of 80 Hiab loader cranes from Petróleos Mexicanos (PEMEX), the national oil company of Mexico, which Cargotec won due to a high service level maintained throughout the longstanding cooperation between the two companies.

# Solutions to meet customer needs

When updating their equipment, customers increasingly see the benefit of environmentally friendly solutions that contribute energy savings, eliminate hydraulic oil leakages, and make the use of equipment safer.

From the beginning of 2011, Cargotec has been fully prepared to meet new engine regulations and is fitting its Kalmar products with the latest engines using selective catalytic reduction or exhaust gas recirculation technology to deliver near-zero nitrogen oxide and harmful particulate emissions. This change complies with the EU Stage IIIB and US EPA Tier 4i emission regulations which govern all off-road equipment powered by engines of 130kW and above.

New products introduced in 2011 include Hiab Multilift XR18S - Pro Future™ hooklift, which optimises energy and operating efficiency. Cargotec’s line of solutions with reduced environmental impact, Pro Future™ products, have passed strict criteria regarding energy efficiency, power source, emissions, noise pollution and recyclability. In addition, a new loader crane, Hiab XS 622, was introduced. The new heavy lifter provides a longer outreach, higher precision and smoother operation than other cranes in its capacity range.

In March, Cargotec introduced a mini-radio control system for Hiab Multilift demountables. The radio feature allows the operator to be outside the danger zone, ensuring security and a safe working clearance at all times.

The success of Cargotec's Kalmar terminal tractors continued in 2011 with the production of its 50,000th unit at the company's US manufacturing facility in Ottawa, Kansas. During the year, terminal tractors’ options for energy efficiency were improved. Starting in 2012, off-road terminal tractors sold outside North America will include, as standard, a fuel saving option that can save as much as 15 percent in fuel consumption and reduce 9,000 kg of carbon dioxide emissions per year. Terminal tractors delivered from 2009 onwards can also be retrofitted with this option.

For Cargotec, sustainability is not limited to product life cycle. Hand in hand with the launch of its G-generation medium forklift truck range, Cargotec introduced the EGO cabin design with considerable improvements to driver safety and ergonomics. Starting with the new Kalmar DCG90-180 forklift range, the extensive benefits will be gradually phased in across the entire fleet of Kalmar counterbalanced machines.

In addition, Cargotec was active in terminal development for customers through logistical studies and simulation projects, particularly in South America and Russia. Simulation is a tool for optimising logistical solutions, terminal operations and productivity both in new projects and at existing terminals. In November Cargotec announced a cooperation agreement with Singapore-based ST Kinetics Ltd to develop automated port equipment for container terminal customers.

In 2011, Cargotec continued to implement its common visual identity by launching new product labelling for its market-leading brands Hiab, Kalmar and MacGregor. Before the year-end, all new Hiab and Kalmar products will have a Cargotec elephant logotype, daughter brand name and model designation labels. By using the elephant logo on products, Cargotec will achieve more brand visibility globally.

Highlights of the year also included the Port 2060 initiative, devised to spark discussion within the terminal operations sector about the challenges and solutions that will be relevant to containerisation as it approaches its centenary in 2060.

# The spreader business in 2011

Spreader market leader Bromma, a part of Cargotec, celebrated its 50th year of continuous operations in 2011 by selling more crane spreaders than all its competitors combined. Bromma's offering covers ship-to-shore crane spreaders, mobile port crane spreaders and yard crane spreaders.

Spreader reliability is an essential operational requirement for terminal operators. While the cost of a spreader is just 2–3 percent of that of a container crane, spreader downtime is extremely damaging to terminal operations, halting container ship-to-shore vessel loading and unloading operations, and slowing or idling yard operations. Bromma remains the standard in the container handling industry, with a long reputation for high reliability and a market share of over 50 percent.

## A growing, more environmentally friendly market

Bromma's growth is being driven by continuing port development and expansion in inter-Asia traffic centres, such as Malaysia, Thailand, Vietnam and Indonesia. Commercial expansion of the emerging markets of the Middle East and Africa is also an important business driver.

With many recent commercial successes, Bromma has now sold more than 250 spreaders for delivery to semi-automated container terminals, many of which use automatic stacking cranes.

Bromma's growth is also driven by environmental leadership. Bromma all-electric spreaders offer decisive environmental advantages: they eliminate the risk of oil leaks to port and river groundwater, reduce consumables, and lead to lower emissions. Bromma spreaders also offer clear environmental advantages in the areas of materials and production.

## Reinventing spreader fleet maintenance and repair

In 2011, Bromma began an innovative reinvention of spreader fleet maintenance and repair by introducing Bromma Fleet Doctor™ and Roadmap™ productivity applications. These new spreader fleet productivity tools are unique among spreader firms, and give Bromma a decisive advantage in the area of spreader fleet management.

Bromma Roadmap™ helps terminals raise performance in a key industry productivity indicator – mean moves between failure (MMBF). The tool helps maintenance departments use their time and resources where they are needed most. Terminals using the Roadmap™ tool should have fewer unplanned spreader downtime events, fewer spreader change-outs, and overall higher productivity.

Bromma Fleet Doctor™ is a spreader diagnostic tool that provides terminals with an early warning system with alerts.

# The terminal operating system business in 2011

Navis, a part of Cargotec Corporation since March 2011, is the global technology standard for managing the movement of cargo through terminals. The Navis SPARCS and SPARCS N4 terminal operating systems (TOS) are used at approximately 260 marine terminal sites worldwide.

Navis's expertise fits and complements Cargotec's global offering. Together, Navis and Cargotec are able to develop integrated solutions for terminal customers all over the world. The combination of Navis' flexible and scalable TOS software with Cargotec's leading cargo and load handling equipment and services already proved its power in 2011.

Year 2011 saw continued growth in Navis market share particularly in Latin America, Europe and the Middle East. Sixteen sites went live on SPARCS N4 with seven sites implemented during October-December. New implementations included Haifa Port Terminal in Israel now managing four sites in a central location and Transnet Port Terminals, South Africa, managing all seven of their marine terminals from their Durban headquarters. The first terminal site implementing SPARCS N4 was added at Tecon Santa Catarina Terminal, Itapoa, Brazil.

An important achievement in 2011 was the release of Navis SPARCS N4 version 2.2 with many new improvements and upgrades, including the addition of general cargo, equipment control and marine telematics functionalities. The new release supports faster vessel turnaround and increases terminal operators’ capability to manage cargo more efficiently. With more flexibility to configure and customise the solution, users are able to integrate more types of hardware and provide their network of users easier access to shipment details, streamlining business processes and improving the control of cargo movement in the supply chain.

In addition, to support its growing customer base and demand for automated terminal equipment Navis has increased software development, delivery and support resources, adding talent and development capability with a 25 percent increase in personnel in Europe, the Americas, India and Asia.

The trend towards automation is growing in the industry. Several terminal facilities are planning to use automated equipment within the next few years. Cargotec and Navis will continue to invest in providing the expertise and talent to meet customer demand for automation and deliver new efficiencies to enable the industry to increase operational performance.

# Marine

## Merchant shipping still strong

The business environment for Cargotec’s marine solutions was still fairly good. Marine transportation is the most efficient and effective way of moving goods, supporting long-term growth in the shipping industry. As the number of new ship orders has come down, the role of ship owners has become more prominent, which, in turn, is beneficial for Cargotec’s sales of solutions.

Even though there is still a healthy demand for Cargotec’s solutions, the market outlook is challenging. The large order book is rolling out at ship yards, resulting in a faster growth of the fleet than that of the trade. This is also reflected in lower charter rates as well as today's squeezed ship prices.

## Offshore anticipating a brighter future

For the larger part of 2011, the offshore support/construction vessel market was weak with fewer orders of new ships than expected. However, the daily rates are increasing in the North Sea and the Gulf of Mexico, which is a good foundation for market recovery. There were also several orders globally for deepwater drilling rigs, which will in turn increase the demand for offshore support vessels.

Financing for new ships is more difficult for customers both in the merchant shipping and offshore logistics segments. However, customers with a good cash position remained in good standing.

# Merchant shipping in 2011

Cargotec's customers include ship owners, ship and terminal operators, shipbuilders, and navies all around the globe. Optimised cargo flow solutions are pivotal for customers aspiring to uphold their competitive edge in all lines of transport – dry bulk cargo, containerised or project cargo, or rolling cargo and passengers. Cargotec's extensive portfolio includes MacGregor hatch covers, cargo handling cranes, RoRo cargo access equipment, lashing and self-unloading systems, passenger gangways and linkspans.

Working closely together with customers and understanding their business enables Cargotec to provide the most suitable cargo handling solution to optimise the overall functionality of a specific ship type. This is Cargotec's expertise and adds value to our customers' business. As a general trend, owners today are conducting more careful pre-studies before ordering vessels.

## An agile business model ensures profitability

Cargotec' Marine business area delivered an excellent result for 2011. Cargotec understands how the customers' business works, and is thus able to offer complete solutions to help them achieve their goals. Cargotec concentrates on delivering complete solutions with a so-called ship-type approach, which has proven highly successful. The ship-type approach is supported by Marine's business model, which is established on strong partnerships, ensuring Cargotec the necessary agility both in terms of operations and financial stance.

## Focus on further strengthening Asian operations

The geographical shift in economic power to Asia and especially to China has resulted in an even stronger focus on strengthening our operations in the area. China and South Korea are the leading shipbuilding countries, accounting for close to 75 percent of newbuilding capacity. At the same time, there is a change in ownership geography with an increasing number of Asian ship owners. China is also the home of many of Cargotec's valued partners, who play an integral part in the success of our merchant shipping division.

Cargotec's MacGregor solutions have strong market share in China. One of the highlight orders in 2011 consisted of 104 MacGregor cargo cranes for 26 bulk carriers. A good example of the success of ship-type solution sales is our contract with Zhejian Ouhua Shipbuilding for MacGregor cranes and hatch covers for The China Navigation Company for general cargo ships. The customers benefit by getting the cargo access and handling solutions from a single partner.

Due to in-depth understanding of RoRo access and cargo handling systems, Cargotec is able to deliver the most flexible and efficient designs. Notable deals of 2011 included a contract secured from South Korea to deliver MacGregor RoRo equipment for a total of seven deepsea container/RoRo vessels and two naval ships.

Another significant contract included MacGregor hatch covers, lashing bridges and fixed lashing gear for eleven 8,800 TEU (TEU is one standard 20ft container) container ships under construction in Korea. Hatch covers and lashing systems are an integral part of a container vessel's cargo-handling ability, and early involvement in the project enabled design of the most efficient and safe cargo handling solution possible. As a result of its cargo system design expertise, Cargotec can maximise the ship's overall efficiency and profitability. These ships use a new optimised lashing bridge that maximises the payload. Cargotec is the only company able to deliver the whole cargo equipment package. This provides the shipyard with one accountable partner, allowing it to concentrate on its core business.

Cargotec, in collaboration with A.P. Møller Maersk A/S, has developed a new, safe and efficient fully automatic dual-function twistlock. The parties entered into a frame agreement which covers the delivery of 1.6 million fully-automatic dual-function twistlocks during the next two to three years.

## Sustainable solutions

Greater environmental consideration and mainstream expectation for higher efficiencies are the factors prevalent in the maritime industry. Cargotec identified the need in the market for electric-driven products several years ago and responded to this demand by offering electrically driven RoRo cargo access equipment, electric cranes, and the electric-drive system for side-rolling hatch covers as well as electric winches.

This year the first car carriers with all-electric MacGregor cargo handling equipment entered service in Japan. The company also received the first commercial order for its electric-drive system for side-rolling hatch covers. Another important order was for 21 MacGregor variable frequency drive electric cranes, which will be installed on seven multipurpose cargo ships that Huanghai Shipbuilding in China is building for Ethiopian Shipping lines.

Further achievements during the year included the introduction of innovations that allow shipboard systems for gravity self-unloading dry bulk cargoes to deliver greater capacity while minimising environmental impact. Cargotec is providing clean and efficient cargo handling for Det Norske Veritas' (DNV) Ecore very large ore carrier concept as part of a study which DNV initiated with industry partners FKAB, MAN Diesel & Turbo, TGE Marine and Cargotec. The objective is to introduce innovative solutions that increase efficiency and reduce the environmental impact of fluke ship operations.

An example of a Cargotec solution benefitting the environment is its electrically driven lightweight car deck panels that reduce the weight considerably compared with steel equivalents. The technology is available for both new ships and retrofit projects. Finnlines has adopted this technology onboard its six 10,500 dwt RoRo newbuildings and the first two vessels have been delivered from China.

# Offshore in 2011

Cargotec's  customers include offshore support vessel owners and operators and shipbuilders. 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.

In harsh environments and deepwater sites, customers prefer operating with the best. This means that constant effort is required from Cargotec in order to offer high-end and integrated solutions and stay competitive.

Cargotec serves customers in the renewable energy industry, among others, in offshore wind power production. As the offshore structures become larger, for installation at ever greater depths, the need for safe, efficient and accurate positioning will create a growing demand for offshore installation tools, such as large, active heave-compensated offshore cranes.

Cargotec was able to maintain its market share in its core business and sharpened its focus on emerging markets.

## Committed to ensuring optimum solutions

In 2011, Cargotec won the Best Supplier award 2010 from Mitsubishi Heavy Industries Shimonoseki shipyard in Japan. It was given to Cargotec's offshore business and the local Japanese team as recognition of the company's drive to understand future customer needs through the provision of an extensive geographic presence and strong collaboration with customers. Cargotec’s delivery consisted of an extensive engineering package and customised solutions for special operations. These included some of the major MacGregor products for ultra deepwater operations and deck handling machinery.

More evidence of Cargotec’s ability to provide integrated solutions that ensure sustainable, function-intended operations came with the successful delivery of MacGregor systems to the twin-hulled compact semi-submersible offshore vessel *CSS Derwent* for Singapore-headquartered Hallin.

Cargotec offers solutions for the offshore logistics market globally. As a niche technology solutions provider, continuous development is the core of successful business. Cargotec launched new products that were welcomed by the market, including the chain wheel manipulator, which was developed to introduce remote controlled devices that keep crew member clear of potentially hazardous operations while also improving a vessel’s profitability. Now operators can safely change their chain wheels at sea without needing to return to port each time a chain wheel requires changing, thus saving valuable working time offshore.

Other advances of 2011 include the successful testing of the first 400-tonne active heave-compensated crane and completing the first phase of testing our ultra deepwater lifting system with positive results.

## Service brings us closer to the customer

Cargotec's success lies in maintaining its unrivalled technological edge and ability to add value for customers all around the world, as well as maintaining overall agility in providing demanding customer solutions.

Continuous development of the service business is an important strategic driver for Cargotec. Service, including training, is an essential and integral part of our comprehensive offshore solutions. Cargotec offers focused equipment courses for advanced offshore load handling. Properly trained maintenance personnel represent reduced downtime and improved safety.

# Bulk handling in 2011

Cargotec supplies Siwertell dry bulk handling systems for terminal operators worldwide. The scope of services and supply include plant and terminal design, ship unloaders, ship loaders, road-mobile ship unloaders, mechanical and pneumatic conveying systems, and storage systems. Siwertell ship unloaders and loaders are based on unique screw conveyor technology.

In 2011, Cargotec won two significant orders for Siwertell ship unloaders. An order for a ship unloader type ST790-D was received from the Indian Farmers Fertiliser Cooperative Ltd (IFFCO), Paradeep Unit. The enclosed screw-type unloader will be used to discharge rock phosphate and sulphur at a rated capacity of 1,800 t/h. Another major order for two Siwertell ship unloaders was received from the Jorf Lasfar Energy Company (JLEC). The contract includes repositioning two existing unloaders as well as installing two new Siwertell units to handle coal at Jorf Lasfar, on Morocco's Atlantic coast.

Two Siwertell ship unloaders delivered to the TPC Talin Power Plant, Kaohsiung, Taiwan, set a record in through-the-ship capacity during commercial discharge of bulk cargo, and achieved what was probably the highest through-the-ship capacity ever for a continuous coal unloader.

For the third year running, Cargotec won an International Bulk Journal (IBJ) award. This year, the top award for Safety in Bulk Handling was granted to the new Siwertell Sulphur Safety System designed to minimise the risk of explosions and detect fires when handling sulphur.

Recent development of wear items for bulk unloaders has resulted in a significantly longer lifetime for parts in the conveyor chain. Ongoing technology projects include handling of biomass products at high capacities, among other developments.

# World-class customer solutions

Cargotec’s strategy drives towards customer solutions, with the vision to be the world’s leading provider of cargo handling solutions. Our long-term goal is to provide world-class customer solutions and build a strong portfolio: these will meet customer needs in areas such as industrial and on-road load handling; container handling in ports and terminals; and marine cargo and offshore load handling.

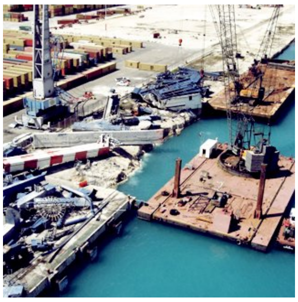
Cargotec’s solutions are used in all major cargo handling hubs. Our customers range from small freight handlers to ship owners and multinational operators of the world’s biggest ports. In order to better understand our customers’ varied needs, in 2011 we took major steps to create synergies through customer segmentation. The three customer segments selected were container terminals, merchant shipping and offshore. In these segments, Cargotec is already well positioned to develop future offerings and, ultimately, bring more value to customers. Evaluation of further segments continues.

By systematically building the container terminals segment, Cargotec has already demonstrated its capabilities, reaching major milestones in 2011, such as its partnership with DP World in the London Gateway container port project.

In addition, in order to accelerate the implementation of Cargotec’s strategy, the decision has been taken to adapt the company’s operations and implement a customer-oriented operating model. As of 1 January 2012, Cargotec’s Industrial & Terminal business area was divided into two new business areas: Terminals and Load Handling. The decision was taken to divide Cargotec's Supply organisation, which develops factory operations and the related sourcing activities, between these two business areas. These changes to the operating model are expected to increase transparency and improve our ability to respond faster to changes in the markets.

# Customer stories

Customer focus is key to Cargotec's strategy. We aim to develop an understanding of our customers' specific needs and provide then with optimal solutions. In the stories below, you will find some of our most successful customer cases from 2011, ranging from total fleet maintenance to purpose-built marine cargo systems and strategic partnerships with some of the world's biggest ports.



## Freeport

When a tornado tore through Freeport, Cargotec Services was called in to help restore the port's activities.
**More...**

## North Sea Shipping

North Sea Giant, one of the world's largest offshore construction ships, features a 400-tonne MacGregor crane.
**More...**


## The China Navigation Company

The China Navigation Company ordered MacGregor electric cranes for a series of multipurpose newbuildings.
**More...**

## M-Sport

Hiab machines set up the Ford team's ever-growing hospitality area at the World Rally Championships.
**More...**

## Burdens Limited

Burdens Limited placed an order for Hiab loader cranes, together with a service agreement including maintenance of the entire fleet.
**More...**

## Saigon Newport Company

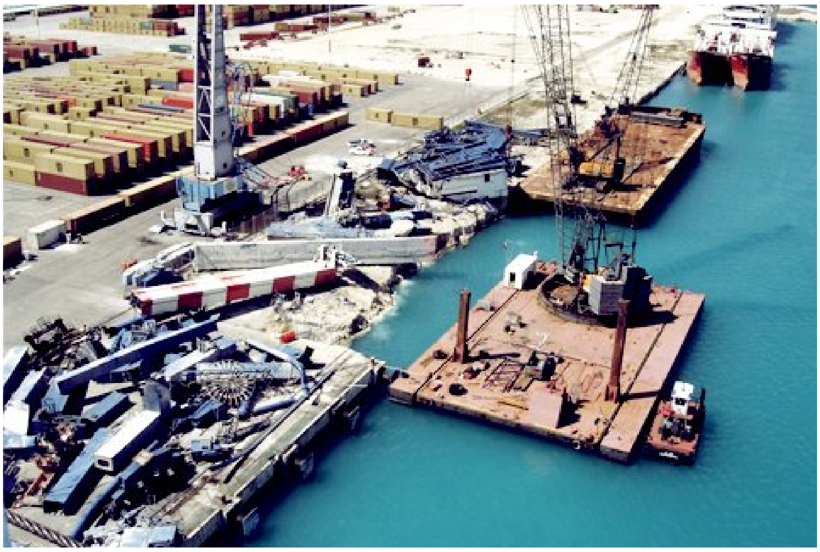
Saigon Newport Company in Vietnam took delivery of the region's first Kalmar Zero Emission™ RTG cranes.
**More...**

## DP World, London Gateway

DP World selected Cargotec as the preferred partner for its landmark container port project.
**More...**

# Rebuilding Freeport

**Freeport, on the island of Grand Bahama, became the scene of a catastrophe, when a tornado tore through the area in March 2010. Severe damage was caused to one of the world's top 100 container terminals. Cargotec Services was called in to help restore the port's activities.**



## The challenge

The sudden appearance of this powerful storm resulted in a large number of injuries and the tragic death of three employees. With Freeport's huge ship-to-shore cranes being tossed around like matchsticks, the aftermath literally resembled a bomb site.

**Charles Stewart**, Engineering Manager at Freeport, and **Mike Murray**, Head of Cranes for the Hutchinson Group, had no doubt who to call. Stewart comments: "We knew that Cargotec Services was not only one of the few organisations capable of handling this sort of damage, but they also had the expertise and resources available to respond quickly in emergency situations."

They immediately contacted **Ed Johnston**, Vice President of Regional Operations for Cargotec Crane and Electrical Services, who jumped straight onto a plane and was on site, surveying the damage, by 10 am the next morning.

## The solution

Five days later, Johnston and his colleagues had completed their initial assessment and deployed a team to initiate repairs and restore order. Within two days, the port was once again moving containers, although at 50 percent of normal capacity and from the second berth only.

Approximately two weeks after the incident, **Matt Mumley**, Cargotec Services Project Manager, and his team began rebuilding Freeport's cranes. The schedule was to return one crane to operation per month. All turnkey repairs were completed by April 2011.

Stewart reports that Cargotec responded quickly and efficiently. "We applaud how professionally the team responded. It was an extremely difficult set of circumstances, but Cargotec Services once again demonstrated its unique capabilities in these particularly challenging types of projects."

# Equipping the Giant for colossal tasks

**North Sea Giant is one of the largest and most advanced offshore construction ships in the world. This multipurpose vessel features a 50-tonne and a 400-tonne semi-active heave compensated MacGregor crane, which is North Sea Shipping's eighth from Cargotec.**


## The challenge

"*North Sea Giant* is one of the largest and most advanced offshore construction ships in the world," says **Atle Vik**, Project Manager and Technical Inspector at North Sea Shipping. "This is a multipurpose vessel and can be used for more or less any offshore construction job and is very suitable for the offshore renewables market, such as windmill and tidal generators.

"A big ship requires a big crane," Vik says. "Things are getting heavier and heavier out there. And since the vessel was designed with ultra-deep water capabilities, we needed lifting capacity with 3,000 metres of wire deployed. This crane is big, but don't be surprised if we ask for an even bigger one next time!"

*North Sea Giant* is capable of operating far in excess of minimum Class 3 dynamic positioning requirements.

## The solution

Cargotec manufactured and installed a 400-tonne semi-active heave-compensated MacGregor crane on *North Sea Giant*. "We have delivered a crane with the impressive capacity to lift 100 tonnes at its full boom outreach of 34 metres. It can actively heave-compensate a 400-tonne load with a six-metre surface heave movement," explains **Frode Grovan**, Sales Director for Advanced Load Handling.

North Sea Shipping has a long relationship with Cargotec; this is its eighth MacGregor crane. North Sea Shipping brought Cargotec in at an early stage of the design process, ordering the crane before steel cutting for the vessel commenced. "We have a good, long-term relationship with Cargotec," Atle Vik comments, "so it was natural that we contacted them for the crane."

# Electric cranes and hatch cover flexibility enhance efficiency

**For a series of eight multipurpose newbuildings, The China Navigation Co Pte Ltd (CNCo) ordered MacGregor electric cranes and a flexible hatch cover and tweendeck arrangement. Early involvement in the design has enabled Cargotec to develop a low-energy crane system and a purpose-designed hatch cover system.**


## The challenge

The eight 31,000 dwt (deadweight tonne) vessels, which will be constructed on Zhoushan Island in China, are scheduled for delivery between January and August 2013, with an option for 4 + 4 more ships at a later stage.

CNCo has focused on designing a vessel with a fast cargo handling system. The vessel was also to be suitable for Pacific Rim scheduled liner trade while delivering ground breaking fuel efficiency at normal operating speeds. The new ships have been designed to achieve very high energy efficiency for their type with the lowest possible carbon footprint.

CNCo's new vessels are rated to accommodate 2,082 TEU (TEU is one standard 20ft container) but are also designed to carry general cargo, steel, project cargo, agricultural products and dry bulk cargo. Tanktops are strengthened for heavy cargo and containers. "This makes them true multi-purpose vessels, which was a welcome challenge for Cargotec's hatch cover system design team," says **Jussi Koljonen**, Sales Manager, Dry Cargo. As one of the key factors affecting the ships' performance, the hatch cover system was discussed at a very early stage in the project.

## The solution

In 2006, CNCo decided to evaluate the benefits of MacGregor electrically driven cranes. **Martin Gresswell**, CNCo Director and General Fleet Manager, says that the trials conducted over the past 5 years have proved the claims about the performance of the new crane. "The electric crane has exceeded our expectations. It is much easier to drive than we thought and places cargo accurately, has very low maintenance requirements and uses 30 percent less power than conventional electro hydraulic cranes."

**Svante Lundberg**, Sales Manager for MacGregor cargo cranes at Cargotec, says: "This order builds on the positive experience CNCo has already had with our products and service, particularly our electric cranes. We are seeing increasing interest in our electric cranes and deck machinery as more companies become aware of their economic, operational and environmental advantages."

“The customer’s needs, requirements and experience on scheduled liner trades were the basis for the cargo system design work. In close cooperation with the customer, our team of experts was able to build an efficient system. This comprised a purpose-built combination of lift-away, folding and tweendeck folding hatch covers, complemented with cell guides and fixed container fittings,” continues Koljonen. This extensive design process made it possible for the vessels to carry a wide cargo mix efficiently.

# Rally team relies on Hiab

**A Hiab loader crane has joined the three Haib Moffett truck-mounted forklifts working hard to help the Ford team to victory in the World Rally Championships. These machines set up the ever-growing hospitality area and ensure that the cars' tyres are always in the right place.**

## The challenge

"The World Rally Championships are becoming more and more like Formula One. Hospitality areas within the service parks are growing as rallies become more spectator-friendly," explains **Neil Robinson**, Project Manager at M-Sport, outlining the increasingly demanding requirement for load handling at rally sites.

M-Sport is in charge of Ford´s rallying activities, including the Ford Abu Dhabi World Rally Team that runs three cars. Cargotec is one of the partners whose products are vital to the team.

## The solution

A Hiab XS 1055EP-6 HiPro loader crane had its first outing in the rallying world during August 2011 in Finland, when it helped to set up the new hospitality area for the Ford team. It joined three Hiab Moffett M5 25.3 truck-mounted forklifts that have been working with the team for the last four years.

Setting up a hospitality area takes four days. The Hiab Moffetts move the various parts of an aluminium base frame into position, before the Hiab XS 1055 loader crane lifts the two-storey hospitality building into place. Every unit needs to be positioned with pinpoint accuracy. Once each is in place, Hiab Moffett truck-mounted forklifts are used to install the main flooring beams, flooring and glass front.

Cargotec equipment is also instrumental in the unloading and installation of curtain-sided trucks and transporting heavy loads around the service parks. After ten days, the entire set-up is dismantled and the rally moves on to another country.

"We chose the Cargotec products as they are technically the best and most reliable product on the market. We are also pleased with the support that Cargotec gives us across Europe," Robinson states. "A good partnership is a two-way street and Cargotec's ability and willingness to resolve our load handling requirements makes it the perfect partner."

# Total fleet maintenance delivers added value

**Burdens Limited, a leading supplier of civil engineering and building materials, has ordered a 24-strong fleet of Hiab loader cranes from Cargotec. Cargotec was selected due to low lifetime cost of ownership and an impressive service agreement, including maintenance of the incumbent fleet.**


## The challenge

Following a review of its current lifting requirements and a thorough assessment of the UK crane market, Burdens decided to add the 24 Hiab XS 166B-2 HiDuo loader cranes to its existing materials handling capability. This deal also covers a major service agreement, which involves maintenance of the entire fleet – including existing machines from other suppliers.

When selecting the new cranes, Burdens applied very specific criteria such as build quality, performance, low lifetime cost, environmental credentials and safety. Equally crucial, however, was the need for a single source supplier that could also provide effective service support throughout the United Kingdom and Ireland.

## The solution

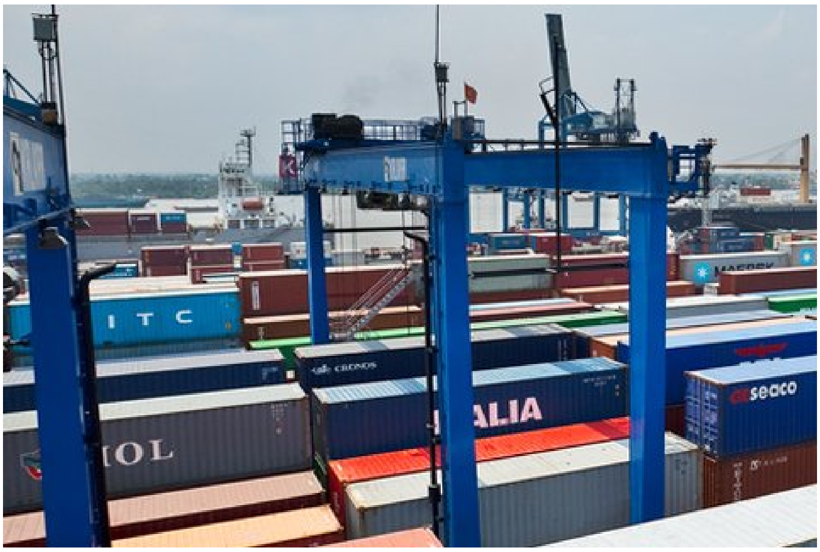
Cargotec and its Hiab XS 166B-2 HiDuo loader crane were chosen to meet these requirements. Rear mounted onto a new fleet of Mercedes-Benz Actros wagons, this model represents a safe and easy-to-use crane with a quick return on the initial investment.

The Hiab XS range also incorporates several features designed to reduce the impact on the environment, such as its control system, which significantly reduces fuel use and carbon dioxide emissions. In addition, the Hiab cranes supplied to Burdens have been fitted with optional filter clean kits, dramatically reducing the oil and filter change frequency from every 12 months to approximately once every five or six years.

**Karl Love**, Service Sales Manager for Cargotec, pinpoints the customer benefit: “While lifetime costs have always been at the forefront of a professional transport manager’s mind, this is a complete solution which factors in safety, quality and the environment, delivering significant added value.”

# Vietnamese port goes greener

**Saigon Newport Company (SNP), Vietnam's largest container terminal operator, continues to prefer Kalmar E-One² rubber-tyred gantry (RTG) cranes. The company recently took delivery of the region's first Kalmar Zero Emission RTG™ cranes, featuring the same proven reliability with even greater eco-benefits.**




## The challenge

It is easy to spot the Kalmar E-One² Zero Emission RTGs at work at Tan Cang-Cat Lai terminal in Ho Chi Minh City. "The economic benefits are clear," says **Le Tuan Anh**, General Director of the SNP Technical Department. "Where we previously operated with 3+1 wide cranes, the 6+1 wide Kalmar cranes have helped us to increase our terminal capacity using the same operational area."

SNP handles about 80 percent of the area's import and export volumes, and nearly half nationwide. In 2005, the company made the decision to move out of central Ho Chi Minh City. It began shifting its main container handling operations from Tan Cang in the Binh Thanh District to Cat Lai terminal in District 2. With an area of 800,000 square metres, the Cat Lai terminal can accommodate the industry's most advanced equipment. SNP also aimed to improve energy efficiency and employ environmentally friendly technology.

## The solution

Since 2007, SNP has gradually replaced its smaller cranes with 6+1 wide and 1-over-5 high Kalmar E-One RTGs. The company praises its new addition of six Kalmar Zero Emission RTG™ cranes for being emission-free, producing considerably less noise, and incurring low operating and maintenance costs. Their energy cost savings are roughly 80 percent compared to diesel-powered RTGs.

The Kalmar RTGs regenerate energy when lowering loads, supplying power back to the network, which means the operator only pays for the actual energy consumed. The equipment can also help keep the terminal environment cleaner by eliminating oil leakages, another feature in support of SNP's environmental aims.

# Cargotec to partner in London Gateway project

**Cargotec and DP World have signed a contract making Cargotec a partner in supplying products and technology to the container port London Gateway, a milestone project which has generated vast interest inside the industry.**

## The challenge

London Gateway is set to become the premier logistics centre in the United Kingdom and Europe's largest logistics park. It will also be Britain's most environmentally friendly major port, offering a more cost effective, greener way of getting goods to consumers. The port is scheduled to open in late 2013 with an initial capacity of 1.6 million TEU (TEU is one standard 20ft container).

The Dubai-headquartered DP World is the world's third largest port operator. It has been planning the new port since early 2010 and expects to invest a further $1 billion in London Gateway over the next three years.

Once complete, the new port and park facility will save UK businesses millions of pounds a year in land transport costs. An estimated 65 million road freight miles every year will be saved as many goods will no longer need to be transported from deepsea ports to inland distribution centres. Instead, goods will be sent straight into the new London Gateway Logistics Park and then directly to shops and homes.

## The solution

“London Gateway will provide the world class service that our customers have come to expect from DP World across the globe, using the most advanced equipment and technology. London Gateway's location is unique, bringing the world's largest ships directly to Europe's largest logistics park and providing long-term value for our customers and UK business,” says **Mohammed Sharaf**, Chief Executive of DP World.

As a partner, Cargotec will be providing 28 Kalmar shuttle carriers and 40 Kalmar automatic stacking cranes with related technology to be used in the port. “We are proud to be chosen as the partner in the heart of this landmark project and we are committed to London Gateway's success. With this cooperation, we are strengthening our position as a leader in port automation,” says **Harald de Graaf**, Cargotec's Executive Vice President, EMEA.

"Since 1990, we have steadily developed our track record in the field of automation in automatic stacking crane systems and in horizontal transportation,” continues de Graaf. “We are determined to lead the way in this field."

# Competent personnel and good leadership drive performance

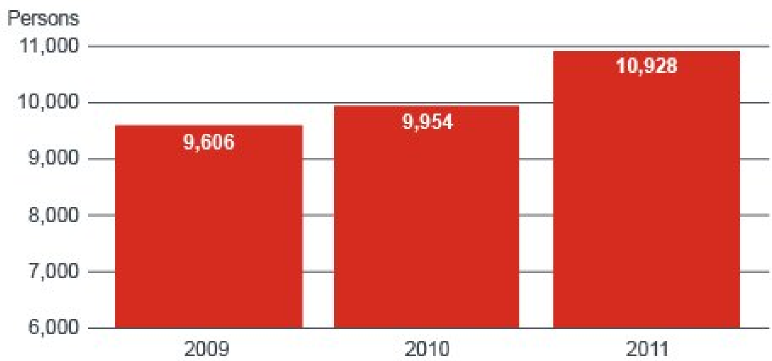
In 2011, global initiatives and actions were planned and implemented according to our people strategy's key priorities. In this way, it was ensured that these measures contributed directly to achieving Cargotec's strategy and business targets. A strong focus was placed on leadership development, talent and performance management, and employee engagement.

## Personnel structure and changes in 2011

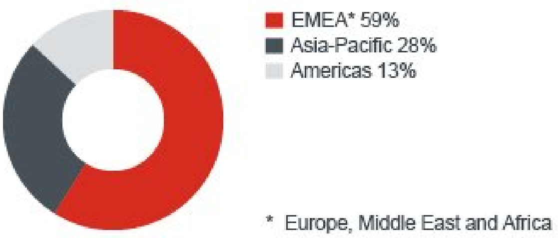
In October, Cargotec announced plans to change its operating model. This was intended to accelerate the strategy's implementation and streamline the organisation of centralised Support functions and central Supply. The greatest need for personnel adjustments was in Finland and Sweden. The cooperation negotiations with employee representatives resulted in 28 personnel reductions in centralised Support functions and central Supply in Finland. The cooperation negotiations concerning these functions in Sweden were still ongoing at the beginning of 2012. The shared financial services operations were decided to be outsourced and will result in reductions of some 50 jobs. Earlier in the year 2011, minor personnel adjustments due to operational changes were made in various countries of operation. Measures taken to promote the re-employment of affected employees include training opportunities and internal transfers.

At the end of 2011, Cargotec had a total of 10,928 (2010: 9,954) employees, with female employees representing 16 (16) percent and male employees 84 (84) percent. Part-time employees accounted for 2 (2) percent of personnel and temporary employees for 6 (7) percent. Sales per employee totalled TEUR 294.

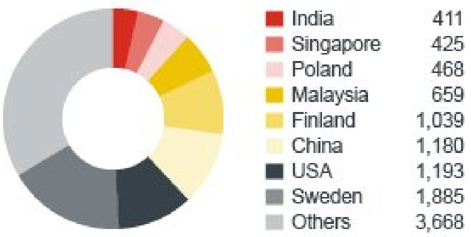
### Number of employees at the end of year



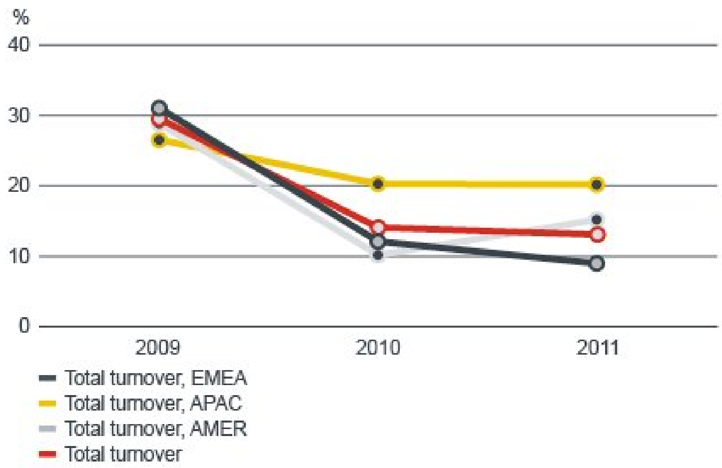

### Employees by region




### Personnel by countries



## Personnel turnover



# Human resources management and strategy in 2011

Cargotec's people strategy has been designed to support the company's strategy and business targets. It is aligned with our strategic focus areas: customers, services, emerging markets, and internal clarity. The people strategy's fundamental goals are to attract and retain key talent, enhance the company's performance culture, and maximise employee engagement across the organisation.

Defined in 2010, our people strategy's key priorities are to:

- Focus on leadership to drive performance
- Manage talent for global and local critical needs
- Develop competencies for future needs
- Build execution capability

In 2011, global initiatives and actions were planned and implemented according to these key priorities, in order to ensure a direct contribution to Cargotec's business targets.

## Customers

In enhancing the organisation's customer focus and resourcing, while securing the right talent for customer segment teams, key accounts and competence centres were the main success factors in business areas' efforts to drive growth. Cargotec's Strategic Account Management development programme, which was initiated during the year, is designed to emphasise a highly practical approach to customer orientation within the organisation.

Another key area was the development of common integration processes for mergers and acquisitions. This was beneficial to Cargotec's acquisition of Navis, a leading US-based terminal operator systems provider, at the beginning of the year. In addition, a planned joint venture in China, Rainbow-Cargotec Industries Co Ltd, which is expected to start its operations during 2012, is proceeding with a strong focus on people issues.

## Services

The creation of a unified Services organisation underlines the focus on creating value for customers through a better service offering. The new organisation combines Industrial & Terminal services and Marine services to form a single Services business area and three main service regions, EMEA, Asia-Pacific and Americas. Continuous and effective competence development is vital in building up the Services organisation in order to meet strategic targets. Service sales professionals from EMEA, Asia-Pacific and Americas were the first to attend an examination module and graduate from Cargotec Academy's service sales programme.

## Emerging markets

In the emerging markets, especially in Asia with its typically high employee turnover, much emphasis is being placed on strengthening the employer brand to attract and retain key talent. Implementation of key HR processes, leadership development and competitive rewarding at all personnel levels are vital to ensuring competent resourcing for driving growth in emerging markets. Cooperation is being initiated with universities to attract future talent.

## Internal clarity

The development of Cargotec's leadership culture has a strong impact on our ability to serve our customers well, while increasing clarity within the organisation. The same can be said of talent management and competence development, where our actions are focused on stimulating positive change in the areas our strategy identifies.

The establishment of a common business system platform for Cargotec represents a key strategic development towards internal clarity. Ensuring common processes and effective change management are crucial to the programme’s success. Another strategic initiative is the building of a project management culture and competencies at Cargotec, to ensure that all development projects support strategy execution. In the implementation of Cargotec’s new operating model, effective from 1 January 2012, a strong emphasis will be placed on change management and internal communications.

## Social management approach

Cargotec’s Human Resources (HR) function is responsible for managing health practices and well-being activities globally. In the Executive Board, Executive Vice President, Human Resources is responsible for HR policy which defines the basic HR principles and workplace practices at Cargotec. The policy complements Cargotec’s people strategy and code of conduct. Corporate HR is responsible for creating, updating and communicating the HR policy as approved by the Executive Board. Line managers of Cargotec have the ultimate responsibility for implementing this policy.

The HR policy states that Cargotec is committed to full compliance with applicable national and international laws and regulations. The main international codes Cargotec supports are: United Nations (UN) Universal Declaration of Human Rights, UN Global Compact, International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work, and OECD’s Guidelines for Multinational Enterprises.

# Employee engagement and performance

Increasing employee engagement is critical to our ability to serve our customers well. This has a direct impact on our strategic focus areas of enhancing customer focus, developing services, and targeting key growth areas in emerging markets. While bolstering these efforts, the Cargotec Compass survey also has a major impact on our strategic focus area of internal clarity. This survey highlights the importance both of gathering feedback and planning appropriate actions in response. Cargotec Experience, an induction and training programme provided to both new and existing personnel across the organisation, has also been a highly successful enabler of clarity within the company.

## Follow-up is key in people development

Cargotec Compass, the first global employee survey in Cargotec's history, was introduced in 2010, and was addressed to the entire Cargotec personnel. In 2011, we have been taking stock of the results and implementing actions accordingly.

Based on the survey results, training and personnel development require attention. Centred on Cargotec Academy, several initiatives were started during the year to address these areas.

A follow-up survey was conducted among personnel in April 2011 to measure how widely Compass team discussions, action planning and some key people processes were completed within Cargotec, and how the working together culture had improved. The next global Compass survey will take place in 2012.

Communications and information flow within the company were also flagged as areas in need of development. Special attention has been paid to internal communications, both at team and company level. Combined with strong focus on our Performance and Development Planning (PDP) process, the strategy communications initiative implemented in 2011 has contributed to a broader understanding of both team-level and individual goals.

The PDP discussions offer a transparent way for management and employees to review individual performance, set objectives and create an individual development plan for the coming year. Amongst the management target group, the coverage target of 100 percent has been achieved. In the rest of the organisation the figure stands at 84 percent. A target of 100 percent coverage across the entire company has been set for 2012.

## Cargotec Experience

Cargotec Experience is an induction training provided to both new and existing personnel across the organisation. During the day, presenters selected from corporate and regional management are on hand to tell the Cargotec story. The main goal is to help all personnel to achieve an understanding of what the company represents and how it works, thereby progressing towards our strategic focus area of internal clarity. During 2011, a total of 680 Cargotec employees took part in 16 sessions in ten countries worldwide.

# Cargotec Experience

## Experiencing the company and its people


Cargotec Experience is a one-day induction session to which 30–40 employees are typically invited. The day's activities cover a wide range of information, all of which is used to help employees understand why their work is important to the company as a whole, and how it contributes to the global picture. Topics include the company structure, operations, strategy, values and code of conduct, as well as region-specific information and an overview of the product families in our offering.

Cargotec Experience days have been viewed by participants as engaging and rewarding. The contributors place emphasis on stories about working at Cargotec, bringing the company to life in a way that can inspire all levels of the workforce. Feedback is gathered at each event, and the results have been positive.

For example, in May 2011, Cargotec Experience sessions were conducted in Mumbai, Pune and Bangalore in India. All three sessions were regarded as highly successful, the sections devoted to Cargotec’s offering, customers and competitors being singled out for particular praise.

“The sessions were highly interactive and we obtained plenty of valuable information for the further development of our business and operations in India,” enthused **Jonne Hankimaa**, Managing Director of Cargotec India. For the most part, the participants were equally impressed, with one commenting: “I obtained an insight into the Cargotec products, sales strategy, and our future growth and development. The session was also fun!”

Another commented: “Cargotec Experience was the perfect programme for this place and time, providing employees with an opportunity to align themselves with the organisation and its strategy. The emphasis on the values, vision and mission of the company created a very positive frame of mind.”

# Leadership development and talent management

**Mikael Mäkinen**, Cargotec's President and CEO, has repeatedly stated the importance of leadership culture to the company. The development of such a culture forms the prerequisite for achieving success in each of our strategic focus areas. Only with effective leadership in place can customer focus, development of services, ongoing efforts in emerging markets and enhancement of internal clarity truly succeed. Our work with the Leadership Learning Path training programme is vital here, as are our efforts to identify personnel who are key to achieving these targets and to provide them with individual objectives and development tools.

## Building leadership culture

Our efforts to develop Cargotec's leadership culture were focused on communicating the Cargotec Leadership Profile throughout the organisation. This profile was established in 2010 in order to define the type of behaviour we aim to encourage in our managers.

Cargotec's new Leadership Learning Path programmes were designed in 2011 to support leadership development. They consist of various management categories, from Managerial Induction all the way up to our top executives. These learning path training courses, all of which are based on the Leadership Profile characteristics, are intended to provide individuals with the ideal means of developing their leadership skills at Cargotec. They will also serve to coordinate our leaders' adoption of our values and encourage a strong leadership culture.

The aim is to run these new development programmes in all regions during 2012. Development of the programme and its contents will also continue. Assessment tools for leadership development assessments, based on the Leadership Profile, are a strong priority. Thus far, all members of the Executive Board have been assessed and the process is underway within management teams.

## Talent management

Identifying talent is a strongly embedded practice in Cargotec's company culture. In 2011, we further strengthened links between the annual Management Review process and our key strategic focus areas.

The objectives of the Management Review are to discuss people challenges in the context of our business strategy, to identify and review our key talented individuals, take fundamental decisions on how the company should be developing its capabilities, and draw up the appropriate action plans.

In this way, we can make sure that Cargotec's strategy is supported at personnel level, securing the necessary personnel to accomplish our targets while giving our employees the appropriate opportunities to make use of and develop their skills.

# Competence development

Competence development and training are a highly effective means of maintaining a practical focus on our strategy. Each of our training initiatives in 2011 has been targeted in this way, both to reinforce existing competences and to recalibrate them in support of our strategic focus areas. Strategic Account Management, for example, represents a clear development of our customer focus capabilities, while our service training programme's expansion to cover frontline service teams will have a direct effect on our efforts to develop our service offering.

## Cargotec Academy

Cargotec Academy covers all of the company's global training and development schemes, including leadership development, project management, finance programmes, and technical and service training. Viewed as a complete entity, its aim is to reinforce the Cargotec company culture in many vital respects, enhancing learning and development across the organisation.

Cargotec Online Academy, the company's global e-learning portal offering courses to all personnel, was launched in 2011. E-learning supports our global training programmes through both generic and company-specific courses. The aim is to support individual development and enhance knowledge of topics that are important to everyone at Cargotec, such as our code of conduct. Through the e-learning portal, all personnel have equal opportunities to learn about the company, its operations and business environment.

In 2011, our global training programmes included over 700 people, and new training initiatives will be launched during 2012. Training within Cargotec is also conducted at a local level, with greater relevance for specific environmental circumstances and practices.

Service sales professionals from EMEA, Asia-Pacific and Americas were the first to attend an examination module and graduate from our service sales programme in Singapore. Benefitting from the experience of a similar training programme in the Marine organisation, the programme is designed to provide sales training to employees involved in contract maintenance selling.

## Strategic Account Management programme

Cargotec's Strategic Account Management development programme is designed to emphasise strategic focus area customers within the organisation, in a highly practical manner.

Currently in its final development stages, the scheme is scheduled for full implementation by the end of 2012. In essence, Strategic Account Management is a means of identifying and developing Cargotec's key accounts, with particular effort being made to drive customer satisfaction and profitable growth. The programme will also serve to stimulate a solution-oriented culture and improve teamwork, in a way that directly benefits all of our customers.

## Cargotec Project Model training concept

Project management is another development area of high importance at Cargotec. It is also one of the main elements in improving internal clarity. Common project management methods and processes enable effective resourcing and ensure that internal development projects support strategy execution.

Based on Cargotec's project model, a training concept was developed in 2011 to offer support to all Cargotec employees working on projects either as project managers, team members or steering group members. The aim is also to provide infrastructure for the development of a strong project-oriented company culture. The training concept includes both in-depth classroom training and project model e-learning material in Cargotec Online Academy.

# Cargotec Academy

## Sales training for frontline service teams

In January 2011, service sales professionals from Cargotec Services in EMEA, Asia-Pacific and Americas were the first to attend an examination module and graduate from the Cargotec Academy’s service sales programme in Singapore.

Benefitting from the experience of a similar training programme in the Marine organisation, this programme is designed to provide sales training to employees involved in contract maintenance selling.

The training programme consists of six modules and its ultimate goal is to increase the participants’ sales competencies. This is achieved through colleagues learning together, sharing knowledge and experience, backed up by self-study and thorough preparation.

Real-life customer cases are handled during these sessions, in order to maximise the practical application of the exercises. Furthermore, those participants who do not work in direct contact with customers obtain an accurate picture of the challenges facing frontline personnel, helping them to provide better support to salespeople in their daily work.

The training sessions were generally deemed extremely valuable. One participant described them as “well structured, impressive, demanding and a good enrichment programme.” Another commented on their new-found sales confidence: “I have learned how to set up and execute a meeting properly: opening letter, agenda, proposal and negotiations.”

# Rewarding

Cargotec's rewarding principles and annual review processes reinforce all four of our strategic focus areas. Ensuring that good performance is fairly compensated galvanises our focus on the customer's needs, our service development efforts, and our efforts in emerging markets. Implementation of Performance and Development Planning (PDP) discussions across the company, which occurred in 2011, also supports internal clarity by providing management-employee conversations with an official, well-documented forum.

## Recognising and rewarding strong performance

In 2011, Cargotec continued work on the introduction of a global and comprehensive rewarding and incentive system. This work is now primarily focused on developing a compensation philosophy to strengthen our rewarding practices, recognising both company-wide and individual performance and given direction by the company's values. We will continue this process in 2012, with our primary aim being clear internal communication of the basis for Cargotec's rewarding practices.

Significant progress was also made in the implementation of PDP discussions across the company. These discussions play a vital role in the process of reviewing and rewarding good performance, and serve as an important channel for dialogue between management and employees.

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 2011, salaries and remunerations to employees totalled EUR 419 (2010: 364) million.

# Cooperation

Cargotec’s efforts to maintain a healthy company-employee dialogue are at the heart of our strategic focus on improving internal clarity. Strong cooperation and constant dialogue between the company and its employees is the Cargotec way. Our cooperation system has been developed together with personnel, and is aligned with statutory requirements.

## Stimulating valuable dialogue

At Cargotec, cooperation has been organised at both corporate and local levels. In Europe, the corporate cooperation forum is the Cargotec Personnel Meeting, attended by 18 employee representatives from 13 countries in 2011. This annual event took place in Hamburg, incorporating a great deal of fruitful discussion, and included a visit to one of our customers’ premises at the city’s port.

Cargotec's working committee of country representatives also meets several times per year, ensuring that company-employee dialogue is a continually developing process. Other organs of communication convene on a country basis and at local level, depending on the given country’s established practices and legislation.

# Occupational health and safety

## Management system developments

In 2011, Cargotec successfully defined company-level minimum process requirements for occupational health and safety. These will be implemented across all company sites worldwide over the next three years, prioritising sites with relatively high safety demands.

As the hands-on working environment may present specific risks, and is also the arena which presents the most opportunities for preventing accidents, health and safety initiatives must be planned and implemented at local level.

Cargotec facilitates this by providing tools to assist reporting practices, enabling the follow-up of injuries and accidents and benchmarking between sites to allow the sharing of best practices. We also provide instructions on risk analysis, pointing out which aspects should be understood and observed, as well as ways in which particular environmental properties should be taken into account. These may be used to bolster sites' existing occupational health and safety regimes, or to enable new units to build successful processes from the ground up.

Examples of fully functional, locally implemented health and safety initiatives include our multi-assembly unit in Raisio, Finland, which has created an occupational health and safety card for all individual employees. In addition, our Australian unit has introduced a pocket-sized personal hazard assessment booklet that can be used by service technicians to assess risk and implement hazard controls for specific jobs.

Cargotec's multi-assembly units employ the "5S philosophy" to increase process efficiency and cleanliness, while preventing accidents. Originating in Japan, this system is based on five Japanese words which mean sort, set in order, shine, standardise and sustain. These are particularly useful procedures at our supply unit premises, where regular cleaning and safety audits are maintained to ensure the programme's implementation and continuous improvement. The 5S system has also been implemented with highly successful results at several service sites.

## Reporting of occupational health and safety indicators

Reporting of occupational health and safety indicators has progressed well, with almost all multi-assembly units currently providing such information. Extension of the system to service units is an ongoing process. The testing programme, which took place in pilot locations during 2010, provided very instructive results, confirming that the system requires development in order to cover the various health and safety-related needs found at our customers' premises. These needs relate to the various types of accident which may occur and their potential causes.

## Progress towards a holistic occupational health and safety management system

Cargotec's company-level minimum process requirements for occupational health and safety have now been defined. Processes are to be implemented in line with other common processes and the development of an integrated management system for Cargotec.

Due to the new process requirements defined by health and safety specialists, some changes have been made to earlier health and safety management projects. One of these is the Finnish pilot, whose participants have decided to begin by implementing the new Cargotec minimum requirements before seeking certification for the management system. Cargotec wishes to ensure that the process of managing occupational health and safety is well developed and covers all risks.

Other sites have also achieved a great deal in the area of health and safety. Where we had four OHSAS 18001 certified sites in 2010, in 2011 we had eight, with an additional six well on the way.

# Code of conduct

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 and also Cargotec's partners are expected to adhere to similar principles. Cargotec promotes the code's implementation through effective communication of its contents to personnel. The code, as well as Cargotec's values, are discussed as part of employee induction process and during the annual performance and development plan discussions.

Internal Audit acts as Corporate Compliance Officer and reports once a year or whenever appropriate to the Board of Directors on any issues arising within the organisation with regard to the code. Cargotec's Board of Directors reviews the code and makes changes or further clarifications when necessary.

In case of a potential violation of the code, Cargotec employees are advised to contact their manager with any questions or seek advice from the Corporate Compliance Officer or other relevant corporate officers. Cargotec will take disciplinary action, up to and including termination of employment, against members of personnel who violate the law and regulations, the code of conduct, or other Cargotec policies. In accordance with the company's code of conduct process, charges of fraud were raised in 2011 against a member of personnel in Asia-Pacific in an incident causing no financial damage to Cargotec or its customers.

# Sustainability underpins our strategy

To Cargotec, sustainable performance means balanced development between our financial result and the well-being of people and the environment. As we work to boost sustainable development, we also move closer to the realisation of our strategy. Cargotec has four strategic focus areas critical to our future success: customers, services, emerging markets and internal clarity.

The challenges of sustainable development in global operations are under increasing discussion around the world. As we participate in this ongoing conversation, listening to the developing needs of our customers, we can provide customer focused solutions and services that make global cargo flows more sustainable on land, in ports and at sea. Our visionary Port 2060 initiative is an example of how we have involved a variety of stakeholders in this discussion.

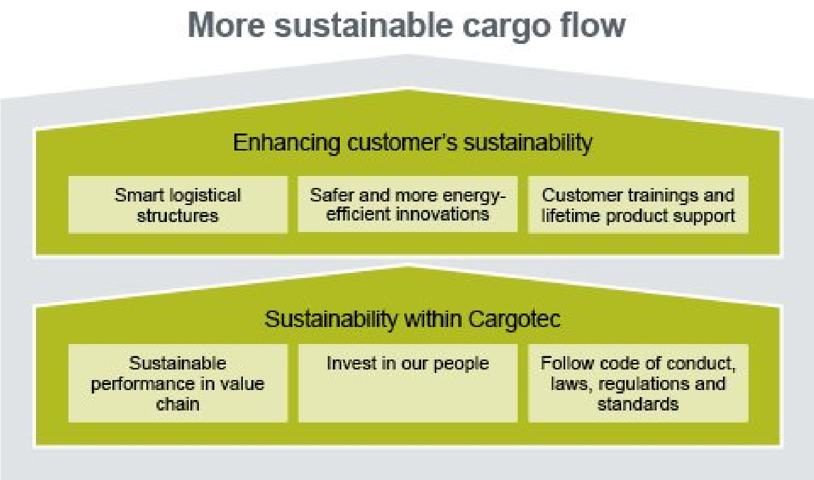
Our global service network is the most extensive in the industry. We provide training and maintenance that help to extend the life cycle of equipment, reduce its impact on the environment and ensure safe usage. We work to broaden our customer support and service offering with the intention of adding value in environmental, social and economic terms. Our customer training for operators can lower fuel consumption by 5–10 percent while reducing machine wear. Training can also include failure and emergency simulations in various environmental conditions.

Sensitivity to sustainability factors is crucial when working in emerging markets, where economic growth is increasing both material flows and demand for cargo and load handling solutions. Rising consumption is creating a need for development of local and regional logistics and infrastructure. For example, waste created by growing consumption and building activities requires systematic waste handling solutions, which is one of Cargotec's competence areas. Our solutions are always built with respect for local waste management routines and based on maintaining employment in the sector.

Using common processes to achieve internal clarity enables Cargotec to identify synergy benefits and create a uniform, customer-driven approach. These common ways of working bring greater transparency to the company’s activities. They are also of service when sharing important information, such as our code of conduct and environmental, health and safety practices.

# Defining Cargotec's sustainability focus

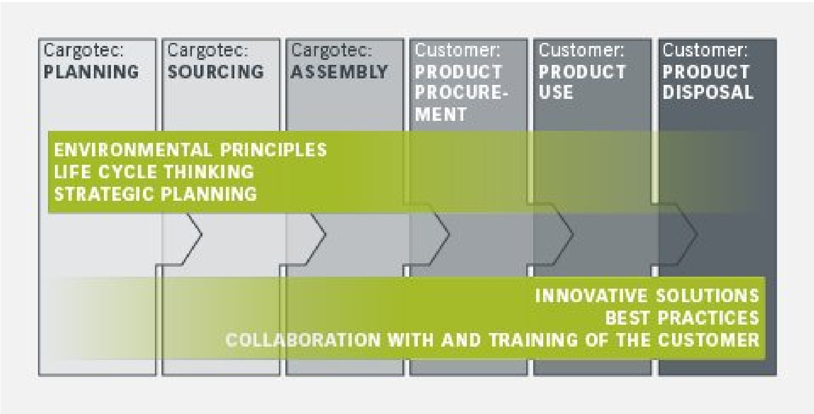
Cargotec has analysed the environmental impact of its operations and products and has concluded that the most significant portion is generated through the use of its products by customers. Interviews with top management and senior level executives, as well as customer feedback, have supported this view. Cargotec has therefore decided that the main focus of its sustainability work will be on enhancing customers' sustainability.




Providing sustainable solutions is for Cargotec the most efficient means of supporting sustainable development. 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. Cargotec's Pro Future™ is a label for environmentally friendly equipment designed to meet strict criteria.

The most significant environmental impacts of Cargotec's own processes are related to those originating from the operations of assembly units, transportation, commuting to and from work, and business travel. As a global operator, we have identified the challenges related to management of environmental issues in the countries where we are present. Our aim is to achieve the best possible practices, taking the local circumstances into account.

The environmental load caused by our products is at its largest towards the end of the value chain.




As a result of our strategy process in 2010, Cargotec 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. During the process, top management and experts outlined megatrends in the global economy that will have a major impact on the company's future success: the global economic shift to Asia, urbanisation, acceleration of technological change, and the lack of critical raw materials. The results of this analysis reinforced our decision to focus on enhancing customers' sustainability. Successful strategy work is the basis for creating a sustainable competitive advantage.

Cargotec's environmental, health and safety (EHS) management is in line with the company's strategy, which is defined by the Executive Board. The corporate EHS function is responsible for ensuring and developing EHS processes and target setting globally. Human Resources is responsible for managing health practices and well-being activities globally. Business and line organisations are responsible for adapting common environmental, health and safety processes to local operations. We comply with environmental legislation and are committed to the UN Global Compact initiative promoting responsible business practice. In the Executive Board, the Chief Technology Officer is responsible for EHS.

# Key stakeholder groups

Cargotec engages its various stakeholder groups through open communication and dialogue. Stakeholder relationships are conducted with integrity, fairness and confidentiality. It is, however, understood that stock exchange rules may lead to certain restrictions in communication. Our key stakeholder groups include personnel, customers, suppliers, investors, authorities, non-governmental organisations (NGOs), research institutions and media.

**Personnel**: At Cargotec, we offer world-class professionals an international working environment with a unique view to the global flow of cargo, opportunities for professional development, as well as motivating compensation systems. We start building a good employment relationship and well-being at work from recruitment and continue until the end of the working career.

**Customers**: The success of our customers is the key to our own success. Cargotec's key customer groups include ship owners, ship and port operators, shipyards, distribution centres, fleet operators, logistics companies and truck owner-operators as well as the defence forces of various countries. Other major customers include heavy industry, terminals and municipalities.

**Suppliers**: Suppliers are an integral part of our total supply chain. We choose our suppliers with care and on the basis of objective factors such as quality, reliability, delivery and price, without preference for personal reasons. Suppliers are expected to conduct their business in compliance with international human rights and environmental laws and practices.

**Investors**: We share information on Cargotec as an investment and serve Cargotec's shareholders and other capital markets participants through providing rapid and easy access to the latest information. Cargotec's investor pages at www.cargotec.com aim to support fair valuation of the company's shares.

The Annual General Meeting is held annually. In addition, an extraordinary Shareholders' Meeting in respect of specific matters shall be held when considered necessary by the Board of Directors, or when requested in writing by a company auditor or by shareholders representing at least 10 percent of all the issued shares of the company.

**Authorities**: Cargotec cooperates with authorities and regulatory bodies at local, national and international levels.

**NGOs**: Cargotec maintains an active dialogue with many interest groups in order to identify best practices, and to understand the challenges of sustainable development in global operations. By working together, the effects of sustainable business operations are multiplied and we can achieve goals out of the reach of any single company.

**Research institutions**: In terms of research innovations, Cargotec believes in open interaction. This translates into active cooperation with research institutes, universities and companies. By networking with leading experts in various fields, Cargotec remains at the cutting edge of technological development.

**Media**: Cargotec has an active dialogue with various media including financial media, trade press and general media. Corporate Communications handle all media inquiries relating to corporate activities, businesses and industry.

## International commitments

Cargotec is committed to several international sustainability development initiatives and commitments, and takes part in many cooperation projects around the world.

International standards and commitments giving direction to Cargotec's operations include:

- United Nations Global Compact
- UN Declaration of Human Rights
- ILO Declaration on Fundamental Principles and Rights at Work
- OECD Guidelines for Multinational Enterprises
- ICC Business Charter
- Clinton Global Initiative (CGI)
- The Baltic Sea Action Group (BSAG)

# Cargotec's membership of associations

Cargotec is an active member of many associations and the company's representatives participate in the work of various industry organisations.

### The Baltic Sea Action Group (BSAG)

BSAG is devoted to rescuing the Baltic Sea with carefully chosen projects. Cargotec's Chairman of the Board **Ilkka Herlin** is a co-founder and Chairman of the Board.

### Cleantech Finland

Cleantech Finland is a network of top Finnish cleantech companies. Cleantech Finland gives clients, partners, investors and other stakeholders all over the world easy access to the best cleantech expertise.

### ICC Finland

Cargotec's President and CEO **Mikael Mäkinen** was selected as Chairman of the Board for ICC Finland for the year 2012. ICC Finland is the Finnish National Committee of the International Chamber of Commerce.

### Finnish Metals and Engineering Competence Cluster (FIMECC)

FIMECC works to boost strategic research in metals and engineering industries in Finland. Cargotec's Chief Technology Officer **Matti Sommarberg** is the Chairman of the Board.

### Global Compact Nordic Network

UN Global Compact is the world's largest corporate citizenship initiative and promotes ten principles for responsible business practice. Its Nordic network includes 140 companies and business associations from the Nordic countries, all of whom have committed to the UN Global Compact.

### Clinton Global initiative

As an invited member of the Clinton Global Initiative, Cargotec has made a commitment in 2008 to reduce the fuel consumption of its machines by ten percent over the next six to ten years.

### Port Equipment Manufacturers Association (PEMA)

PEMA's Environment Committee provides a neutral information and education platform on the development and application of environmental technologies in the port and terminal industries.Cargotec's **Stefan Johansson**, head of Equipment Application Competence Group in the Terminals business area, chairs the committee.

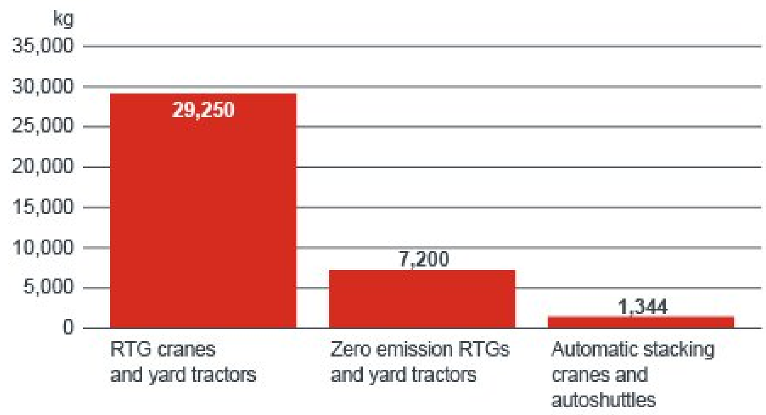
# Cargotec and the environment

We are an industry leader with a significant global presence in the cargo handling chain. Worldwide use of our solutions therefore represents our greatest impact on the environment. We strive to minimise this by producing energy efficient solutions that reduce the environmental impact of our customers' operations.

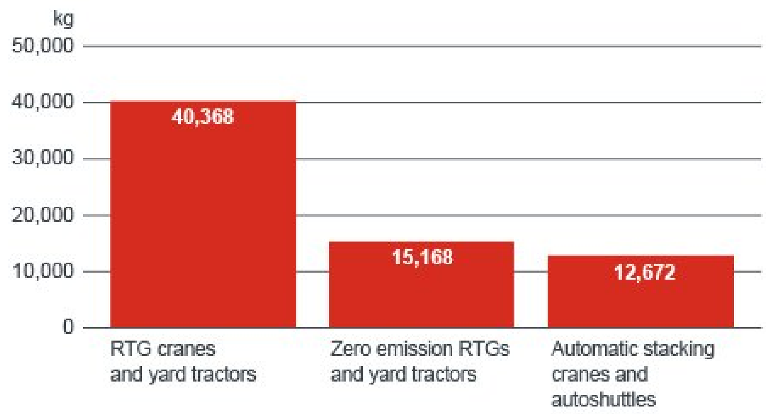
Cargotec views increasing regulation focused on averting climate change as an opportunity rather than a challenge. Since we have the technology to provide clean solutions, which reduce the emissions associated with cargo handling, we have a clear competitive advantage.

We consult in planning new terminals and help make our customers' logistical structures more automated, efficient and sustainable. Smart solutions can significantly reduce a terminal's ecological footprint. The below graphs show how annual emissions are affected at a terminal when using different technological solutions (RTG = rubber-tyred gantry crane).

## Annual emissions: CO




## Annual emissions: $NO_x$ + HC



# Developments within Pro Future™

Cargotec's Pro Future™ is a label for equipment designed to meet strict criteria. Such products are rated against six environment and efficiency based indicators: source of power, energy efficiency, carbon efficiency, local emissions, noise pollution, and recyclability. The criteria have been re-evaluated during 2011 and are now used to analyse environmental impacts on a larger scale than previously.

Within each category, the product or service with the highest score offers the most significant benefits. These criteria have now been developed in such a way that it is possible to employ them in the development of all future Cargotec products. Thus, they also serve as a tool for research, development and engineering purposes.

2011 saw the launch of the Hiab Multilift XR18S – Pro Future™, a demountable hooklift several hundred kilogrammes lighter than comparable products, enabling increased payload opportunities on every trip. With this product in use on a three-axle truck, an average reduction of 30 percent can be achieved in emissions and fuel consumption. This enables cost savings, as well as enhancing environmental performance.

Pro Future™ is a key measure in Cargotec's commitment to reducing the use of fossil fuels in our equipment by ten percent, through the Clinton Global Initiative, launched by the former US president Bill Clinton in 2005. The Pro Future™ criteria are also indicative of our commitment to reducing greenhouse gas emissions.

In 2011, Cargotec deepened its collaboration with VTT, the Technical Research Centre of Finland, in order to commission a neutral perspective on our assessment of the environmental impact of our products. The aim of such collaboration is to confirm that Cargotec's Pro Future™ analysis correctly reflects the way in which environmental impacts should be monitored, both in terms of order of priority and relative importance.

VTT conducts this validation by analysing Cargotec's Pro Future™labelled products, their usage phase, and their overall environmental impact. Those results are then compared to the benchmark literature, scientific material, and larger life cycle assessment (LCA) related studies on similar equipment.

In 2011, Cargotec launched the Port 2060 initiative that encouraged participants to imagine the field of cargo handling 50 years from now. We created a web portal on which the public could openly comment and present their ideas. These went far beyond the more frequently discussed topics of emissions and energy reductions, extending into social and economic consequences, broadening the discussion and helping to inspire innovation.

# Cargotec's own operations

Cargotec's own operations have a relatively minor effect on the environment – and one which we are making continuous efforts to reduce. Cargotec actively monitors the environmental, health and safety impacts of its operations. The next annual report on the related results will be published in April 2012. The previous key environmental figures were published on Cargotec’s website in May 2011.

Environmental, health and safety reporting was consolidated at corporate level in 2007 for the first time. The reporting was developed to focus mainly on assembly units, since it was assumed that these were the units with the highest impact on the environment due to their size and type of operations. The related indicators were jointly chosen together with representatives of various operations: local quality and environmental management, global risk management, local occupational health and safety management and business area representatives.

In managing the environmental impacts of its operations, as well as issues concerning quality, health and safety, Cargotec relies on its certified environmental, quality and safety systems. In 2011, in total 18 units were covered by the company’s own Key Performance Indicator monitoring system for environmental and occupational health.

Environmental impact management helps us to monitor our operations’ effects on soil, water systems, the atmosphere and the surrounding environment. We also stipulate criteria for sub-contractors with respect to environmental and social impacts, including health and safety expectations.

The calculation of Cargotec’s figures for greenhouse gas emissions is based on international standards and set conversion factors. The basis for the calculations has been constructed in line with the international Greenhouse Gas Protocol.

In order to limit indirect energy consumption, we employ tools to enable web conferences and phone meetings, and encourage all Cargotec personnel to use these rather than travelling. This has been instituted on the level of company policy and all business-related air travel emissions are monitored accordingly. Travel-related programmes are also in place at local level. For example, in Finland, educational classes are available for users of company cars, on the topic of energy-efficient driving.

When constructing new facilities and developing new products, we engage with pioneering environmental initiatives whenever possible. A good example of this is our forthcoming technology and competence centre in Tampere. When opened in 2012, the building and facilities will embody a high level of energy efficiency and emission-cutting standards and practices – an appropriate venue for the planning of products with precisely the same aims.

# Product safety

Cargotec's products' safety is one of the key drivers in product development. Cargotec aims to provide customers with products which surpass the safety requirements of current legislation. Safety is an important part of Cargotec's offering development process, which was defined in 2011. Safety issues are considered already in the design phase failure mode and effect analysis being a part of of product development. In Europe, Cargotec's Kalmar and Hiab products comply with EU legislation and they are granted CE marking. For MacGregor products, an extensive set of SOLAS, statutory as well as classification society requirements are applied for all contracts.

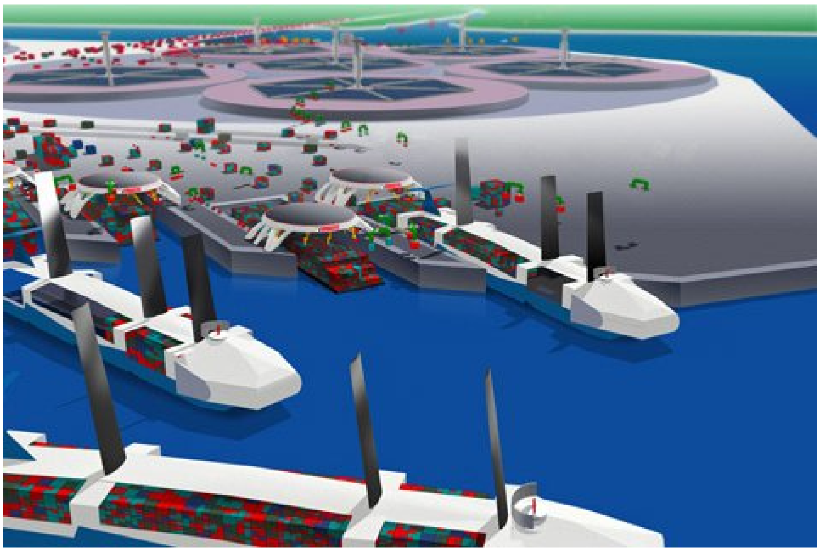
We have developed applications to help the drivers of Cargotec equipment to reduce the possibility of human error. In port operations, Cargotec's equipment leads the way in safety. Our all-electric rubber-tyred gantry cranes, automatic stacking cranes and straddle carriers comply with the standard on safety of machinery EN ISO 13849-1.

To increase productivity and to avoid worksite accidents, Cargotec complies with the new Machinery Directive 2006/42/EC throughout the entire range of MacGregor, Kalmar and Hiab cranes. The directive creates the regulatory basis for the harmonisation of essential health and safety requirements for machinery at EU level. Cargotec's offshore solutions help operators reach the level of safety and reliability required in demanding marine environments. They ensure reliable subsea operations despite weather challenges when handling heavy and expensive loads at ever greater depths. Our customer trainings as well as documentation provided upon delivery ensure that the equipment is used in a safe, efficient and environmentally conscious way.

Cargotec won the International Bulk Journal (IBJ) award for Safety in Bulk Handling in 2011. The award was granted to the new Siwertell Sulphur Safety System designed to minimise the risk of explosions and detect fires when handling sulphur.

Cargotec's products are always delivered with the relevant information for safe product use.

# Port 2060 – the future of cargo handling



The shipping industry is presently undergoing a series of changes. Cargotec's Port 2060 initiative is a platform for imagining the future of containerisation against a backdrop of revolutionary technology and innovation. The initiative was launched in 2011 with the aim of attracting people from the shipping industry and beyond, encouraging them to discuss and exchange ideas.

"This initiative is part of our ongoing drive to enhance our customers' operational performance," explains **Ismo Matinlauri**, Cargotec's Senior Vice President of Port Cranes. "The future might be much more exotic than we imagine, or less so, but we need to be prepared for change, no matter what direction it take us in."

To kick-start the process, Cargotec employees were invited to engage in out-of-the-box thinking, speculating on the innovations that might come into play if current technological restrictions were removed altogether. This idea generation sparked a number of proposals, including so-called mega ports located offshore to optimise efficiency, containers constructed of lighter and eco friendly materials, and container storage conducted in underground silos.

## Opening up the discussion

The innovation did not stop there however. An open forum was initiated at port2060.cargotec.com, with articles contributed by Cargotec's experts stimulating debate on topics such as sustainability, future technologies, automation, and port security. Futuristic ideas like flying spreaders fired the imagination and inspired discussion, while the ambitious nature of the project generated significant media attention.

**Matti Sommarberg**, Chief Technology Officer at Cargotec, who contributed an article to the site and followed the discussion keenly, summed up the project's impact: "This is an important initiative for us, as it signals our first attempt to open up the debate using social media and open forums online."

# 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.

# GRI Index 2011

In 2011, for the first time, our reporting on sustainability is based on the G3 reporting guidelines defined by the Global Reporting Initiative (GRI). This reporting is integrated into the annual report and the GRI table below shows where the GRI indicators have been addressed. We estimate that the content of our reporting is consistent with GRI application level B reporting, which we consider a good starting point for external reporting.

## Independent third-party verification of GRI Guidelines Application Level

A third-party check, conducted by corporate sustainability reporting specialist Tofuture, confirmed that Cargotec's 2011 sustainability reporting meets the requirements for GRI's Application Level B.

● Fully reported
◐ Partly reported
○ Not reported

| | GRI content | Reference | Reported |
|---|---|---|---|
| **Strategy and analysis** | | | |
| **1.1** | Statement from the CEO | CEO's message | ● |
| **1.2** | Description of key impacts, risks, and opportunities | CEO's message<br>Business review 2011<br>Sustainability<br>Defining sustainability focus<br>Main risks | ● |
| **Organizational profile** | | | |
| **2.1** | Name of the organization | Cargotec in brief | ● |
| **2.2** | Primary brands, products, and services | Cargotec in brief | ● |
| **2.3** | Operational structure | Cargotec in brief | ● |
| **2.4** | Location of organization's headquarters | Headquarters is located in Helsinki, Finland<br>Corporate governance statement | ● |
| **2.5** | Number of countries where the organization operates and locations of operation | Cargotec in brief | ● |
| **2.6** | Nature of ownership and legal form | Corporate governance statement | ● |
| **2.7** | Markets served | Highlights 2011<br>Customers | ● |
| **2.8** | Scale of the reporting organization | Highlights 2011 | ● |
| **2.9** | Significant changes during the reporting period | Highlights 2011<br>Corporate governance statement<br>Shareholders | ● |

| | | | |
|---|---|---|---|
| **2.10** | Awards received in the reporting period | Business review 2011 | ● |
| **Report parameters** | | | |
| **Report profile** | | | |
| **3.1** | Reporting period | 1 January 2011–<br>31 December 2011 | ● |
| **3.2** | Date of most recent previous report | Previous annual report 2010 on 10 February 2011<br>Previous key environmental figures report 2010 on 20 May 2011 | ● |
| **3.3** | Reporting cycle | Annual | ● |
| **3.4** | Contact point for questions regarding the report or its contents | communications<br>@cargotec.com | ● |
| **Report scope and boundary** | | | |
| **3.5** | Process for defining report content | Defining sustainability focus<br>Key environmental figures report (pdf) | ● |
| **3.6** | Boundary of the report | Accounting principles for the consolidated financial statements<br>Cargotec and the environment<br>Cargotec's own operations | ● |
| **3.7** | Limitations on the scope or boundary of the report | Accounting principles for the consolidated financial statements<br>Cargotec and the environment<br>Cargotec's own operations | ● |
| **3.8** | Basis for reporting on joint ventures, subsidiaries and other relevant entities | Accounting principles for the consolidated financial statements<br>Accounting principles for the parent company financial statements<br>Cargotec's own operations | ● |
| **3.9** | Data measurement techniques and the bases of calculations | Key environmental figures report (pdf)<br>Accounting principles for the consolidated financial statements<br>Cargotec's own operations | ● |

| | | | |
|---|---|---|---|
| 3.10 | Explanation of re-statements of information provided in earlier reports | Key environmental figures report (pdf)<br>Consolidated financial statements | ● |
| 3.11 | Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report | Key environmental figures report (pdf) | ● |
| **GRI content index** | | | |
| 3.12 | Table identifying the location of the GRI Standard Disclosures in the report | GRI Index 2011 | ● |
| **Assurance** | | | |
| 3.13 | Assurance policy and current practice | The quality of disclosed sustainability data is controlled internally. External assurance is not conducted.<br>Key environmental figures report (pdf) | ● |
| **Governance, commitments and engagement** | | | |
| **Governance** | | | |
| 4.1 | Governance structure | Corporate governance statement | ● |
| 4.2 | Position of the Chairman of the Board | Corporate governance statement | ● |
| 4.3 | Independence of the Board members | Corporate governance statement | ● |
| 4.4 | Mechanisms for shareholder and employee consultation | Corporate governance statement<br>Cooperation | ● |
| 4.5 | Executive compensation and linkage to organization's performance | Rewarding<br>Remuneration statement | ● |
| 4.6 | Processes for avoiding conflicts of interest | Corporate governance statement<br>Code of conduct | ● |
| 4.7 | Process for determining the qualifications and expertise of the members of the Board | Corporate governance statement<br>Board of Directors | ● |
| 4.8 | Implementation of values and codes of conduct | Vision, mission and values<br>Code of conduct<br>Case: Cargotec experience | ● |

| | | | |
|---|---|---|---|
| **4.9** | Procedures of the Board for overseeing sustainability management and performance | Corporate governance statement<br>Employee engagement and performance<br>Code of conduct<br>Risk management at Cargotec | ● |
| **4.10** | Processes for evaluating the Board's own performance | Corporate governance statement<br>Board of Directors | ● |
| **Commitments to external initiatives** | | | |
| **4.11** | Precautionary approach | UN Global Compact | ● |
| **4.12** | Endorsement of external sustainability charters, principles and initiatives | Key stakeholder groups, international commitments | ● |
| **4.13** | Memberships in associations | Key stakeholder groups, memberships | ● |
| **Stakeholder engagement** | | | |
| **4.14** | List of stakeholder groups | Key stakeholder groups | ● |
| **4.15** | Identification and selection of stakeholders | Key stakeholder groups | ● |
| **4.16** | Approaches to stakeholder engagement | Employee engagement and performance<br>Corporate governance statement<br>Key stakeholder groups | ● |
| **4.17** | Key topics and concerns raised through stakeholder engagement | Employee engagement and performance<br>Board of Directors' report | ● |
| **Performance indicators** | | | |
| | *Core indicators (white rows)* | | |
| | *Additional indicators (grey rows)* | | |
| **Economic performance indicators** | | | |
| **EC** | Management approach to material economic aspects | Corporate governance statement | ● |

| | | | |
|---|---|---|---|
| **EC1** | Direct economic value generated and distributed | Data disclosed in the consolidated financial statements, not presented in an EC1 table format<br>Consolidated financial statements | ◐ |
| **EC2** | Risks and opportunities due to climate change | Risks and opportunities are analysed<br>Sustainability<br>Defining sustainability focus | ◐ |
| **EC3** | Coverage of the defined employee benefit plan obligations | Remuneration statement<br>Employee Benefits<br>Rewarding | ● |
| **EC4** | Significant financial assistance received from government | No significant financial assistance received from government | ● |
| **Environmental performance indicators** | | | |
| **EN** | Management approach to material environmental aspects | Cargotec's own operations | ● |
| **EN3** | Direct energy consumption | Key environmental figures report (pdf): Direct energy use (MWh) for Cargotec's operations | ● |
| **EN4** | Indirect energy consumption | Key environmental figures report (pdf): Indirect energy use (MWh) for Cargotec's assembly units | ● |
| **EN5** | Energy saved due to conservation and efficiency improvements | Actions described, energy savings not disclosed<br>Cargotec and the environment | ◐ |
| **EN6** | Initiatives to provide energy-efficient or renewable energy based products and services | Cargotec and the environment<br>Customer stories | ● |
| **EN7** | Initiatives to reduce indirect energy consumption and reductions achieved | Initiatives described<br>Cargotec and the environment | ◐ |
| **EN8** | Total water withdrawal | Key environmental figures report (pdf) | ● |
| **EN16** | Total direct and indirect greenhouse gas emissions | Key environmental figures report (pdf) | ● |
| **EN17** | Other relevant indirect greenhouse gas emissions | GHG emissions from business travel reported<br>Key environmental figures report (pdf) | ◐ |

| | | | |
|---|---|---|---|
| **EN18** | Initiatives to reduce greenhouse gas emissions and reductions achieved | Developments within Pro Future™<br>Commitment to Clinton Global Initiative<br>Research & Development | ● |
| **EN20** | Other air emissions | Key environmental figures report (pdf) | ● |
| **EN22** | Total amount of waste | Key environmental figures report (pdf) | ● |
| **EN26** | Initiatives to mitigate environmental impacts of products and services | Business review 2011<br>Sustainability<br>Research & Development<br>Commitment to Clinton Global Initiative | ● |
| **Social performance indicators** | | | |
| Labor practices and decent work | | | |
| **LA** | Management approach to material labor practice and decent work aspects | Occupational health and safety<br>Human resources management and strategy in 2011 | ● |
| **LA1** | Breakdown of workforce | Personnel structure and changes in 2011<br>Board of Directors' report | ● |
| **LA2** | Employee turnover | Total employee turnover and geographical breakdown reported<br>Personnel structure and changes in 2011 | ◐ |
| **LA4** | Coverage of collective bargaining agreements | Data not collected at Group level | ○ |
| **LA5** | Minimum notice period(s) regarding significant operational changes | National practices applied, no Group level data collected<br>Cooperation | ◐ |
| **LA6** | Health and safety committees | Procedures described<br>Occupational health and safety | ◐ |
| **LA7** | Injury, lost time injury, fatalities, absence rates | OHS performance indicators followed internally. No Group level data presented. | ○ |
| **LA10** | Average training hours per year | Data is not collected at Group level | ○ |
| **LA11** | Programs for skills management | People | ● |

| | | | |
|---|---|---|---|
| **LA12** | Employees receiving regular performance and career development reviews | Employee engagement and performance | ● |
| **LA13** | Composition of governance bodies and breakdown of employees | Breakdown of employees by gender disclosed<br>Personnel structure and changes in 2011 | ◐ |
| Human rights | | | |
| **HR** | Management approach to material human rights aspects | Human resources management and strategy in 2011<br>Code of conduct<br>Occupational health and safety<br>Cooperation | ● |
| **HR2** | Suppliers and contractors human rights screening | Human rights criteria included in the supplier assessments<br>Code of conduct | ◐ |
| **HR5** | Measures taken to support rights to freedom of association and collective bargaining in risk areas | Code of conduct | ● |
| **HR6** | Measures taken to contribute to the effective abolition of child labor in risk areas. | Code of conduct | ● |
| **HR7** | Measures taken to contribute to the elimination of all forms of forced or compulsory labor in risk areas | Code of conduct | ● |
| Society | | | |
| **SO** | Management approach to material society aspects | Code of conduct | ● |
| **SO3** | Anti-corruption training | Code of conduct discussion is a part of the Performance and Development Planning (PDP) process with all employees<br>Employee engagement and performance<br>Code of conduct | ◐ |
| **SO5** | Public policy positions and participation in public policy development and lobbying | Code of conduct provides guidelines for political neutrality<br>Code of conduct | ◐ |

| Product responsibility | | | |
|---|---|---|---|
| **PR** | Management approach to material product responsibility aspects | Product safety | ● |
| **PR1** | Assessment of health and safety impacts of products and services | Product safety | ● |
| **PR3** | Product information required by procedures | Product safety | ● |

# Reporting principles

Cargotec reports the core indicators that are relevant to its operations, products, business and stakeholders. The indicators have been chosen together with representatives of various operations: local quality and environmental management, global risk management, local health and safety management and business area representatives. The indicators are reviewed continuously together with local and global management in order to identify and manage the relevant impacts of operations.

Environmental performance data is published annually in April/May as a Key Environmental Figures report on Cargotec's website www.cargotec.com. Environmental, health and safety reporting was consolidated at corporate level in 2007 for the first time. The certified ISO 9001 and ISO 14001 quality and environmental management systems serve as basic tools for Cargotec's own environmental management. The Key Environmental Figures report is based on the international sustainability reporting standard, the Global Reporting Initiative.

The calculation of Cargotec's figures for greenhouse gas emissions is based on international standards and set conversion factors. The basis for the calculations has been constructed in line with the international Greenhouse Gas Protocol (GHG Protocol). Some conversion factors and information about primary energy distribution are based on the databases of Statistics Finland and the Global Reporting Initiative. The calculation model for greenhouse gas emissions from air travel is based on the United Kingdom Department for Environment, Food and Rural Affairs (Defra) guidelines 2008.

OHSAS 18001, an international occupational health and safety management system specification, serves as a tool for developing occupational health and safety in Cargotec. We had eight OHSAS 18001 certified sites in 2011 and aim to increase the number in 2012. In 2011, Cargotec defined company-level minimum process requirements for occupational health and safety. These will be implemented across all company sites worldwide over the next three years, prioritising sites with relatively high safety demands. Almost all multi-assembly units currently provide occupational health and safety reports. Extension of the system to service units is an ongoing process.

Cargotec follows the International Financial Reporting Standards (IFRS). Our financial reporting principles are explained in the accounting principles for the consolidated financial statements.

# Building the foundation for future innovations

At Cargotec, most engineering hours are spent finding better solutions for meeting our customers' needs. The primary focus is on reducing the amount of energy needed during our products' lifecycles. Energy saving requires a multidisciplinary approach, a key enabler being the use of intelligent information technology. Whether controlling individual machines or managing entire fleets, this is a clear prerequisite. Better data from our products, their immediate environment and the process they are performing provides input for developing new and improved products and services. This has become even more relevant as sensors, data communication and computing power have developed.

In 2011, we continued to increase our research and development presence in emerging markets, in order to gain a better understanding of the market and access local competencies. The operations of a common engineering centre, established in Pune, India, in 2008, were expanded and moved to a larger, modern facility. We also continued to harness internal knowledge by creating a common language across our engineering community, harmonising processes and making decisions on locations in which certain competences will be centralised.

Cargotec is fully aware that relevant technological knowledge complementary to its own lies within universities, research institutions and partner companies. For this reason, Cargotec has been active in the Finnish Metals and Engineering Competence Cluster (FIMECC), an open innovation platform deepening collaboration between these various organisations, since its foundation. Examples of the results of such cooperation include a parametric and configurable hatch cover model developed by Cargotec in 2011. This reduces the design lead time to a fraction of the previously required eight weeks. Cargotec is also active in various programmes covering energy efficiency, use of information technology and future services. Located close to local universities, our new competence centres in Tampere and Singapore offer new opportunities to expand this way of operating.

The open innovation concept can be applied just as easily to our customers' industries. A good example of this is the Port 2060 initiative – a portal through which a wide range of experts can share their visionary ideas on the ports of the future. This provides us with excellent raw material for future development.

**Cargotec's research and development**

- Cargotec's R&D expenditure in 2011 amounted to EUR 60 million.
- Research and development accounted for about 1.9 percent of sales.
- Cargotec has R&D units in all main market areas: Europe, North America and Asia.
- Approximately 5 percent of Cargotec's personnel works in R&D.
- In June 2011, Cargotec announced that it will establish a global competence centre for container terminals development in Singapore. The centre will further strengthen the company's ability to provide total solutions for its container terminal customers in the whole Asia-Pacific region.
- In September 2011, Cargotec laid the foundation stone of the new technology and competence centre, a EUR 35 million investment, in Tampere, Finland. Planned to be operational in December 2012, the centre serves as the spearhead for technologies related to energy efficiency and the intelligent use of machines.

# Competence centres

In 2011, Cargotec's competence centre development passed a tangible milestone. The foundation stone of the company's technology and competence centre in Tampere was laid in September, with the premises due to become operational in December 2012. A global competence centre for the development of the container terminals segment in Singapore was also announced – a move designed to strengthen Cargotec's presence in Asia, as well as the company's focus on container terminal operations. The competence centre concept has a long tradition in our Marine business area: centres for the merchant shipping and offshore customer segments can be found in various locations. For example, our competence centre in Kristiansand, Norway, has a special training simulator for complex, active heave-compensated cranes.

Cargotec views its competence centres as conceptual and practical vehicles for customer focused innovation. Their activities serve to increase competence in three distinct, but related, disciplines:

- **Customer** – awareness of customer behaviour, processes, operating environment and the related technology applications
- **Product** – the ability to design a functional product by applying the principles of a variety of engineering sciences
- **Technology** – a deep understanding of the technologies enabling our product offering

Current or future competencies available in these disciplines and the proximity of the market are important criteria for location. Singapore, for example, is known for technological innovation in port applications. On the other hand, Tampere, Finland, has been home to Cargotec technology development for 75 years and is also a Finnish hub for the mobile equipment business and the related research.

Innovations can also be achieved by investing both in physical and virtual testing environments, such as modern simulation tools. The Tampere technology and competence centre will house the world's largest port automation test area, enabling us to run various process-related, functional and durability tests. This will also enable us to test new features and gain knowledge that can be applied to future products and solutions.

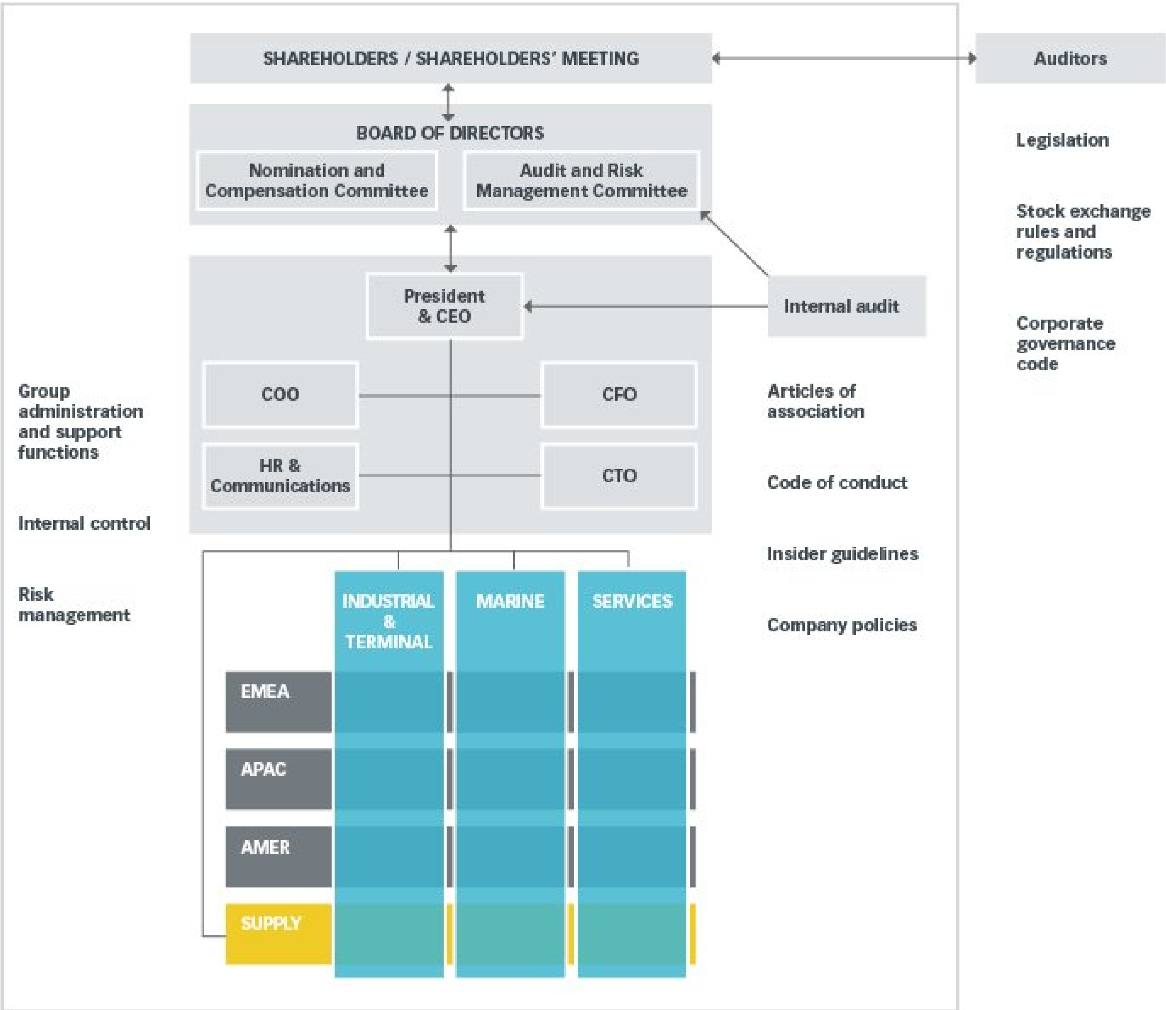
# Corporate governance statement 2011

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. Without exception, Cargotec complies with the Finnish Corporate Governance Code, available on the Securities Market Association's website at www.cgfinland.fi.

At the Shareholders' Meeting, Cargotec's shareholders exercise the highest decision-making power. The company is managed by the Board of Directors and the President and CEO.

The Corporate governance 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 > Investors > Governance. This information is also included in the Annual report for 2011.

## Corporate governance



# Shareholders' meeting

Cargotec's Shareholders' Meeting is convened by the Board of Directors and held in the company's domicile, Helsinki, Finland. 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 a company auditor or by shareholders representing at least 10 percent of all the issued shares of the company.

The issues decided on by the AGM 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 and remuneration payable to the members of the Board and auditor. The Shareholders' Meeting also has the right to amend the Articles of Association, and make decisions and authorise the Board of Directors to make decisions on the acquisition of treasury shares, on share issues and on option programmes.

Notice of the Shareholders' Meeting is published as a stock exchange release and on Cargotec's website. This notice includes the agenda for the meeting, proposals made by the Board and the Board Committees to the meeting and instructions regarding registration and attendance. The names of candidates for the Board of Directors 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 Board Nomination and Compensation Committee, or if the proposal is supported by shareholders representing at least ten 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 and Risk Management Committee's proposal for the auditor will be published in a similar manner.

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

## 2011

The AGM held in Helsinki on 8 March 2011 was attended by 553 shareholders representing 80 percent of the total voting rights of the company.

In addition to decisions taken on an annual basis, the AGM decided on amending the Articles of Association and authorised the Board of Directors to decide on the acquisition of treasury shares, as well as on a share issue involving the transfer of treasury shares held by the company. All documents related to the AGM are available on the company website at www.cargotec.com > Investors > Governance > Shareholders' meeting.

At the end of 2011, the company had approximately 20,900 shareholders. Cargotec's major shareholders on 31 December 2011 are listed in the Shares and shareholders section of the financial statements, and a monthly updated list is available on the company's website at www.cargotec.com > Investors > Shareholders.

# Shareholder rights

## Rights associated with the Shareholders' Meeting

Shareholders representing at least 10 percent of all company shares can request that an extraordinary Shareholders' Meeting be convened, to discuss a specific matter under the purview of the Shareholders' Meeting, by notifying the company's Board of Directors in writing.

Shareholders have the right to raise issues for consideration by the Shareholders' Meeting, if they submit a written request to that effect 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 all matters to be included in the agenda of the Annual General Meeting is published on the company website at www.cargotec.com > Investors > Governance > Shareholders' meeting.

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 notified the company of their intention to attend in the manner specified in the notice of the 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. In the meeting, all shareholders have the right to raise questions and propose resolutions regarding issues on the agenda.

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.

## Right to dividend

Shareholders registered in Cargotec's shareholder register on the record date of the dividend payment are entitled to 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 cent and a maximum of two and a half cents.

# Board of Directors

## Composition

Cargotec's Board includes a minimum of five and a maximum of eight regular members, as well as a maximum of three deputy members. Board members are elected in the AGM for a term of office that expires at the end of the first AGM following the election. The Board elects the Chairman and 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.

## Responsibilities

The 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 the control of the company's financial matters, and preparing issues to be presented to the Shareholders' Meeting. The Board also decides on the company's contributions and loans. The Board appoints Cargotec's President and CEO and determines the related terms of employment. Furthermore, the Board confirms the company's strategic plans as well as significant acquisitions and investments, and approves the company's risk management principles. In each of its meetings, the Board also discusses issues associated with Cargotec's strategic priorities or other current theme.

## Self-assessment and assessment of independence

The Board conducts an annual internal self assessment to review its own performance and procedures. The Board also conducts an annual assessment of its members as regards their independence of the company and major shareholders.

## Committees

The Board has set up two committees to improve the efficiency of board work: the Audit and Risk Management Committee and the Nomination and Compensation Committee. The Board nominates the members and the Chairmen of the committees from among its members annually, and confirms the committees' written charters. The committees have no independent decision-making power. They prepare minutes of their meetings and report to the Board of Directors on a regular basis.

## 2011

In accordance with the proposal of the Nomination and Compensation Committee, **Tapio Hakakari**, **Ilkka Herlin**, **Peter Immonen**, **Karri Kaitue**, **Antti Lagerroos**, **Teuvo Salminen** and **Anja Silvennoinen** were re-elected Cargotec's Board members at the AGM 2011.

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

According to the assessment conducted in March 2011, all members of the Board were independent of the company and, with the exception of Ilkka Herlin and Peter Immonen, also independent of major shareholders. 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.

In 2011, the Board met ten times. Special topics discussed at the meetings included emerging markets by area, product development and the deployment of the competence and technology centres, the sales and maintenance network enterprise resource planning (ERP) system, the new subsidiary Navis, a terminal operating systems provider; and the planned joint venture in China.

| | Board of Directors | Audit and Risk Management Committee | Nomination and Compensation Committee |
|---|---|---|---|
| Ilkka Herlin | 10/10 | 6/6 | 7/7 |
| Tapio Hakakari | 10/10 | | 7/7 |
| Peter Immonen | 9/10 | | 7/7 |
| Karri Kaitue | 10/10 | 6/6 | |
| Antti Lagerroos | 10/10 | | 6/7 |
| Teuvo Salminen | 10/10 | 6/6 | |
| Anja Silvennoinen | 10/10 | 6/6 | |

# Board of Directors

## Ilkka Herlin

born 1959, Finnish, Ph.D.

**Chairman**

Chairman of the Board 2005–
Chairman of the Nomination and Compensation Committee,
Member of the Audit and Risk Management Committee

Independent of the company. Significant shareholder (Wipunen varainhallinta oy) and member of the Board of the significant shareholders D-sijoitus Oy and Mariatorp Oy

Wipunen varainhallinta oy, Chairman of the Board 2005–
Security Trading Oy, Managing Director 1987–2000
KONE Corporation, member of the Board 1990–2000

**Chairman of the Board:**
Foundation for a Living Baltic Sea, also co-founder 2008–
Finnish-Chinese Trade Association 2009–

**Member of the Board:**
D-sijoitus Oy 2005–
Mariatorp Oy 2005–
WIP Asset Management Ltd 2005–, Chairman of the Board 2000–2005
Finnish Foundation for Share Promotion 2005–2011
John Nurminen Foundation 2005–2008

**Other:**
Aleksanteri Institute, Deputy Chairman of the Advisory Board 2011–

**Cargotec shares 31 December 2011:**
2,940,067 class A shares,
5,002,784 class B shares

## Tapio Hakakari

born 1953, Finnish, LL.M.

**Vice Chairman**

Member of the Board 2005– and Vice Chairman 2009–, member of the Nomination and Compensation Committee

Independent of the company and significant shareholders

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

**Chairman of the Board:**
Enfo Oyj 2007–
Esperi Care Oy 2006–2010

**Member of the Board:**
Etteplan Oyj 2004–
Martela Oyj 2003–
Hollming Oy 2008–
Opteam Yhtiot Oy 2011–
Havator Holding Oy 2007–2010
Suomen Autoteollisuus Oy 2005–2009

**Cargotec shares 31 December 2011:**
154,797 class B shares

# Teuvo Salminen

born 1954, Finnish, M.Sc. (Econ.)

Member of the Board 2010–, Chairman of the Audit and Risk Management Committee

Independent of the company and significant shareholders

CapMan Plc, Advisor 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
Chief Financial Officer 1988–1999
Manager of Finance and Accounting 1985–1988

**Chairman of the Board:**
Holiday Club Resorts Oy 2008–
Havator Oy 2010–

**Vice Chairman of the Board:**
CapMan Plc 2005–, member 2001–2005

**Member of the Board:**
Evli Bank Plc 2010–
Glaston Corporation 2010–
Tieto Corporation 2010–
3 Step IT Group Oy 2011–
YIT Corporation 2001–2009

**Cargotec shares 31 December 2011:**
2,627 class A shares

# Antti Lagerroos

born 1945, Finnish, LL.Lic.

Member of the Board 2008–, member of the Nomination and Compensation Committee

Independent of the company and significant shareholders

Finnlines Plc, President & CEO 1990–2007
Nokia Mobile Phones, Executive President 1989–1990
Nokia Corporation, Member of the Board 1986–1990, Member of the Operating Board 1984–1986
Salora–Luxor Division, President 1984–1986
Salora Oy, Chairman & CEO 1981–1984
Hollming Oy, President of Legal Affairs and Finance 1979–1981
Vaasa School of Economics, acting Professor of Fiscal Law 1973–1979
University of Turku, Lecturer in Process, Criminal and Public law 1971–1978

**Chairman of the Board:**
Wärtsilä Corporation 2003–2011

**Member of the Board:**
Finnlines Plc 1999–2007
Finnish Maritime Administration 1990–2003

**Member of the Supervisory Board:**
Sampo Group 1993–2000
Ilmarinen Mutual Pension Insurance Company 1996–2009

**Cargotec shares 31 December 2011:**
1,393 class B shares

## Karri Kaitue

born 1964, Finnish, LL.Lic.

Member of the Board 2005–, member of the Audit and Risk Management Committee

Independent of the company and significant shareholders

Employed by the Outokumpu Group 1990–2011:
Outokumpu Oyj, Deputy Chief Executive Officer and Vice Chairman of the Group Executive Committee 2005–2011, Executive Vice President – Strategy and Business Development 2004 and Member of the Group Executive Committee 2002–2011
AvestaPolarit Oy (former AvestaPolarit Oyj Abp), Executive Vice President and Member of the Executive Committee 2001–2004
Outokumpu Oyj, Senior Vice President – Corporate General Counsel 1998–2001
Outokumpu Group (USA), Assistant Vice President – Corporate Counsel 1996–1998

**Chairman of the Board:**
Destia Ltd 2009–

**Vice Chairman of the Board:**
Outotec Oyj 2006–
Okmetic Oyj 2005–2010

**Cargotec shares 31 December 2011:**
1,393 class B shares

# Anja Silvennoinen

born 1960, Finnish, M.Sc. (Eng), MBA

Member of the Board 2009–, member of the Audit and Risk Management Committee

Independent of the company and 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
Ministry of Trade and Industry, Finland, Industrial Counsellor 1998–2000
Employed by Kymppivoima Oy 1995–1998
Ekono Energy Oy, Senior Consultant 1989–1995
Sheffield Heat and Power Ltd, UK, Technical Manager 1990–1993

**Chairman of the Board:**
PVO-Vesivoima Oy 2010–
VentusVis Oy 2011–

**Member of the Board:**
Renewa Oy 2011–
Fingrid Oyj 2006–2011
Kaukaan Voima Oy 2007–2010

**Member of the Supervisory Board:**
Kemijoki Oy 2005–

**Other:**
National Emergency Supply Council 2008–

**Cargotec shares 31 December 2011:**
1,393 class B shares

## Peter Immonen

born 1959, Finnish, M.Sc. (Econ.)

Member of the Board 2005–, member of the Nomination and Compensation Committee

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

WIP Asset Management Oy, Chairman of the Board 1995–2001 and 2005–, Managing Director 2002–2005

**Vice Chairman of the Board:**
Foundation for a Living Baltic Sea 2008–

**Member of the Board:**
Mariatorp Oy 2005–
Wipunen varainhallinta oy 2005–
Finnish Shareholders Association 1988–

**Cargotec shares 31 December 2011:**
65,393 class B shares

# Audit and Risk Management Committee

The committee's duty is to supervise the financial reporting executed by the management, and to monitor the financial statement and interim reporting process. The 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 auditors' independence, and supervises the statutory audit of financial statements and consolidated financial statements. The committee also reviews the Corporate governance statement.

The Audit and Risk Management Committee consists of a minimum of three Board members. The directors of finance, treasury, internal audit and risk management report to the committee on a regular basis. Representatives of the auditing firm also attend meetings. If the matters to be dealt with so require, the committee convenes without the presence of the company's management. The committee conducts annual internal self assessments to review its own performance.

## 2011

The Audit and Risk Management Committee was chaired by **Teuvo Salminen** and its members were **Ilkka Herlin**, **Karri Kaitue** and **Anja Silvennoinen**. Committee members are independent of the company and, with the exception of Ilkka Herlin, independent of major shareholders. It is the Board of Directors' opinion that Ilkka Herlin's committee membership as a major shareholder is justified. Committee members possess years of experience in business management duties. In 2011, the committee met six times.

The committee was renamed Audit and Risk Management Committee (formerly Audit Committee) to better reflect the committee's work, which involves monitoring corporate risk management and the related processes. During the year, the committee kept a particularly close eye on the ongoing sales and maintenance network enterprise resource planning (ERP) project and on process development. The committee also arranged a competitive bidding round for corporate audit services, and based on the bids received made a proposal to the AGM regarding auditors.

# 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. The President and CEO and the Executive Vice President, Human Resources, attend the committee meetings, except when they themselves are the subject of discussion.

## 2011

**Ilkka Herlin** acted as chairman of the committee, with **Tapio Hakakari**, **Peter Immonen** and **Antti Lagerroos** as members. Committee members are independent of the company. In 2011, the Nomination and Compensation Committee convened seven times.

In addition to its annual duties, the committee discussed the changes in the organisation structure, the earnings criteria applicable in the second earnings period of the share-based incentive programme and option programme, as well as target group specifications.

# President and CEO and the Executive Board

## President and CEO

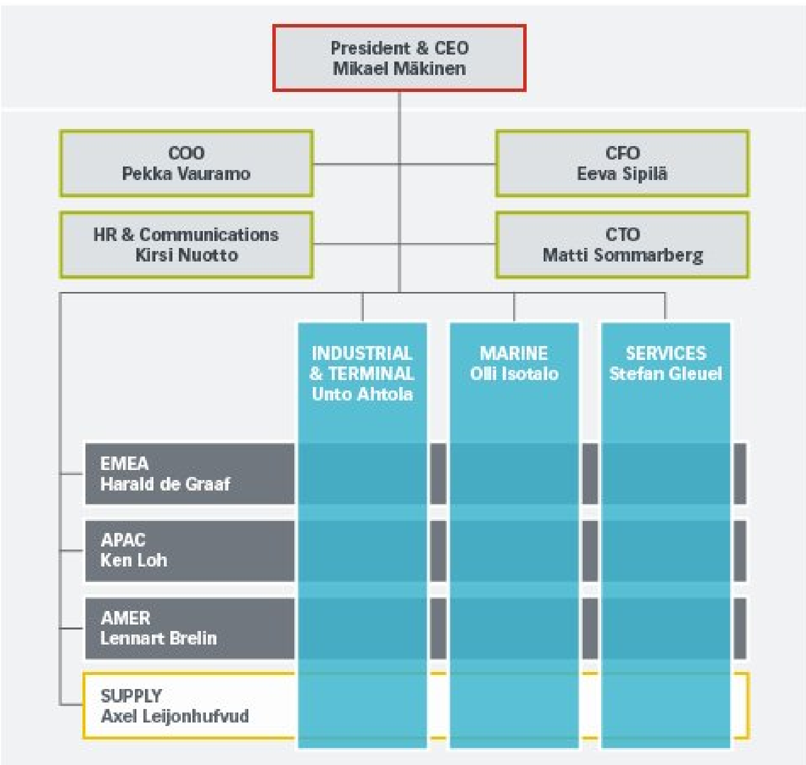
The Board appoints Cargotec's President and CEO and determines the related terms of employment. **Mikael Mäkinen** (b. 1956), M.Sc. (Eng.), has been Cargotec's President and CEO since 2006. The President and CEO is responsible for ensuring that the targets, plans, guidelines and goals set by the Board are carried out within Cargotec. He 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 the CEO.

## Executive Board

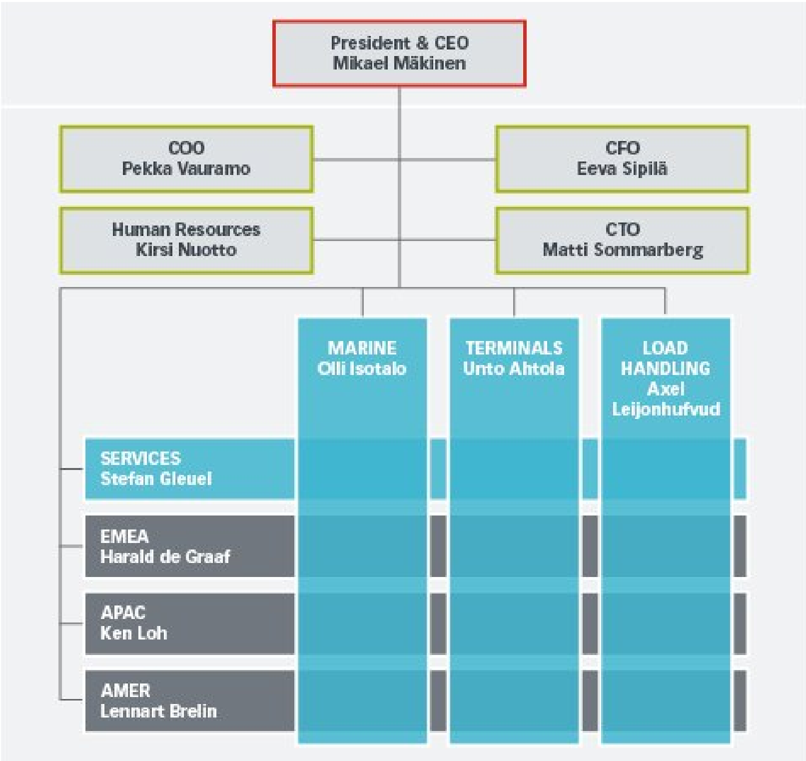
Supporting the President and CEO in his duties, the Executive Board is responsible for business development and the company's operational activities in accordance with targets set by the Board of Directors and the CEO. The Executive Board also defines operative principles and procedures in accordance 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 October 2011, Cargotec announced plans to divide the Industrial & Terminal business area into two new business areas: Terminals and Load Handling. Cargotec's Supply organisation, which develops factory operations and the related sourcing activities, is to be divided between the new business areas. **Unto Ahtola**, previously Executive Vice President for the Industrial & Terminal business area, was appointed Executive vice President for the Terminals business area. **Axel Leijonhufvud**, previously head of the Supply organisation, has been appointed EVP for the new Load Handling business area. The changes are effective as of 1 January 2012. No changes were made that would affect the Marine and Services business areas. Cargotec's external financial reporting segments as of 1 January 2012 are Marine, Terminals and Load Handling.

### Executive Board until 31 December 2011



## Executive Board from 1 January 2012



# Executive Board

## Mikael Mäkinen

b. 1956, Finnish, M.Sc. (Eng.) Nav. Arch.

**President and CEO**

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

**Primary working experience:**
Employed by Wärtsilä Corporation 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

**Key positions of trust:**
Chairman of the Board:
International Chamber of Commerce ICC Finland 2012–, member 2009–

Member of the Board:
Stora Enso Oyj 2010–
Lemminkäinen Corporation 2009–
The Federation of Finnish Technology Industries 2008–2011
Finpro 2009–2011, Chairman in 2010
Glaston Corporation 2008–2009

**Cargotec shares 31 December 2011:**
In direct ownership 13,820 class B shares, through Moving Cargo Oy 226,694 class B shares

# Pekka Vauramo

b. 1957, Finnish, M.Sc. (Mining)

**Chief Operating Officer (COO), Deputy to CEO**

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

**Primary working experience:**
Senior Executive Vice President, Industrial & Terminal 2009–2010
President, Kalmar 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

**Key positions of trust:**
Member of the Board:
Glaston Corporation 2011–
Normet Group Oy 2008–

**Cargotec shares 31 December 2011:**
In direct ownership 1,410 class B shares, through Moving Cargo Oy 226,694 class B shares

# Eeva Sipilä

b. 1973, Finnish, M.Sc. (Econ.), CEFA

**Executive Vice President, CFO**

Employed by Cargotec and member of the Executive Board 2005–

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

**Key positions of trust:**
Member of the Board:
Basware Corporation 2010–

**Cargotec shares 31 December 2011:**
In direct ownership 6,540 class B shares, through Moving Cargo Oy 226,694 class B shares

# Matti Sommarberg

b. 1961, Finnish, M.Sc. (Eng.), M.Sc. (Econ.)

**Executive Vice President, Chief Technology Officer**

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

**Primary working experience:**
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

**Key positions of trust:**
Chairman of the Board:
FIMECC Oy 2010– , member 2008–

**Cargotec shares 31 December 2011:**
In direct ownership 940 class B shares, through Moving Cargo Oy 226,694 class B shares

# Kirsi Nuotto

b. 1959, Finnish, M.A. (French, Comm.)

**Executive Vice President, Human Resources**

Employed by Cargotec and member of the Executive Board 2006–

**Primary working experience:**
Executive Vice President, Human Resources and Communications 2009–2011
Senior 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

**Key positions of trust:**
Member of the Board:
The Strategic Management Society of Finland 2009–

**Cargotec shares 31 December 2011:**
In direct ownership 940 class B shares, through Moving Cargo Oy 226,694 class B shares

# Unto Ahtola

b. 1955, Finnish, B.Sc. (Mech. Eng.)

**Executive Vice President , Terminals, 1 Jan 2012–**

Employed by Cargotec and member of the Executive Board 2009–

**Primary working experience:**
Executive Vice President, Industrial & Terminal 2010–2011
Executive Vice President, Product Solutions, Industrial & Terminal 2009–2010
Employed by Sandvik 1982–2009:
Vice President, R&D and Engineering, Underground Mining Segment 2006–2009
Vice President, Civil Engineering, Construction Segment 2005–2006
President, Tamrock Surface 2001–2005
Marketing Manager, Tamrock Surface 1999–2001

**Cargotec shares 31 December 2011:**
100 class B shares

# Olli Isotalo

b. 1959, Finnish, M.Sc. (Eng.)

**Executive Vice President, Marine**

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

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

**Key positions of trust:**
Member of the Board:
GS-Hydro Ltd 2011–

**Cargotec shares 31 December 2011:**
In direct ownership 213 class B shares and through Moving Cargo Oy 226,694 class B shares

## Stefan Gleuel

b. 1966, German, M.Sc. (Nav. Arch.), M.Sc. (Mgmt.)

**Executive Vice President, Services**

Employed by Cargotec 1995–2001 and 2006–
Member of the Executive Board 2009–

**Primary working experience:**
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 2011:**
235 class B shares

## Harald de Graaf

b. 1965, Dutch, B.Sc. (Eng.)

**Executive Vice President, Europe, Middle East and Africa**

Employed by Cargotec and member of the Executive Board 2006–

**Primary working experience:**
Senior Vice President, Cargotec 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 2011:**
In direct ownership 10,910 class B shares and through Moving Cargo Oy
226,694 class B shares

# Ken Loh

b. 1964, Singaporean, D. Mgt

**Executive Vice President, Asia-Pacific**

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

**Primary working experience:**
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 2011**:
1,970 class B shares

# Lennart Brelin

b. 1949, Swedish, MBA Business Marketing

**Executive Vice President, Americas**

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

**Primary working experience:**
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 2011:**
564 class B shares

# Axel Leijonhufvud

b. 1961, Swedish, M.Sc. (Mech. Eng.)

**Executive Vice President, Load Handling, 1 Jan 2012–**

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

**Primary working experience:**
Executive Vice President, Supply 2010–2011
Senior Vice President, Product Supply 2009
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 2011:**
In direct ownership 470 and through Moving Cargo Oy 226,694 class B shares

# Insiders

Cargotec applies the insider guidelines of NASDAQ OMX Helsinki Ltd, in addition to which Cargotec's Board has approved internal insider guidelines based on the OMX guidelines.

## Insider registers

In compliance with the Finnish Securities Markets Act, Cargotec's permanent public insiders due to their positions are the members of the Board, the President and CEO, the auditors, and members of the Executive Board as defined by the company. Information in the public register of insiders is updated every stock exchange trading day and is available on the company website www.cargotec.com > Investors > Shareholders > Insider register.

The company's permanent company-specific group of insiders includes people employed by the company, and people who work for it under 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.

## Trading rules

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.

## Insider administration

Corporate Legal 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.

# 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, and attend the Board Audit and Risk Management Committee meetings.

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, or an auditing firm. The auditors are elected annually by the AGM and their assignment expires at the end of the first AGM following the election.

## 2011

The AGM elected Authorised Public Accountants **Johan Kronberg** and PricewaterhouseCoopers Oy as Cargotec's auditors, in accordance with a proposal by the Audit and Risk Management Committee. PricewaterhouseCoopers nominated Authorised Public Accountant **Jouko Malinen** as its principal auditor. Auditors' fees are compensated against an invoice.

Johan Kronberg, APA, has acted as Cargotec's auditor since 2006 and PricewaterhouseCoopers Oy since 2005. Jouko Malinen, APA, has acted as the principal auditor nominated by the auditing firm since 2005.

### Fees paid to auditors

| MEUR | 2011 | 2010 |
|---|---|---|
| Group companies' audit fees | 2.6 | 2.7 |
| Non-audit services | 1.2 | 1.4 |

# Main features of 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 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.

Instructions regarding the publication of financial information and external communications are included in the Cargotec Disclosure policy approved by the Board of Directors. This is available in Cargotec's intranet and on the company website at www.cargotec.com > Investors > Investor services. Investor Relations together with Corporate Communications are responsible for ensuring the accuracy of and compliance with the policy.

## 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 internal control is divided into three tiers. Line management is primarily responsible for internal control. This 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 and Risk Management 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 and Risk Management Committee.

## 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.

## Financial reporting process

The effectiveness of internal control measures related to financial reporting is monitored by the Board of Directors, the Audit and Risk Management 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 teams in charge of production, regions and business areas, 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 finance function aims to harmonise the practices and procedures applied by controllers, while ensuring consistent interpretation of instructions and further improving them. In 2011, two global Cargotec Finance Excellence training programmes were carried out to enhance finance-related competence and to support operational consistency.

Efforts continued in 2011 to harmonise financial reporting across Cargotec. As part of the sales and maintenance network ERP system development project, a single model defined by the finance function will be introduced to ensure the consistency of financial information, more effective monitoring and harmonised control. Because the introduction of the joint business system requires a more global and more efficient approach from Cargotec's Shared Service Centre, much effort has been put into developing the service centre's processes and operations during the year.

As part of Cargotec's process development, a description of the financial reporting processes was also prepared. Self assessment of risk points and control measures in the financial reporting process conducted in Cargotec subsidiaries in 2010 was repeated in 2011. Risk points were identified across the entire chain, from the subsidiaries' reporting processes to Corporate 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. This assessment will be conducted and reviewed annually in subsidiaries, as part of the external and internal audit processes.

# Remuneration statement

Cargotec's remuneration statement presents the company's remuneration principles and the remuneration paid to members of the Board, President and CEO and the Executive Board in 2011.The statement also describes Cargotec's long-term incentive plan.

# 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 (NCC). In determining the remuneration, the Committee takes into account the Board members' responsibilities and obligations towards the company. Furthermore, the Committee compares the Board remuneration packages to those paid by other companies of the same size (sales) that operate in a comparable business environment.

The AGM on 8 March 2011 decided to keep the fees paid to the Board members unchanged for the year 2011. The Board members' annual fees in 2011 are:

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

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

Of the total annual remuneration, 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. The Board members must keep the shares they have obtained as an annual remuneration under their ownership for at least two years from the day they obtained them. The Board members receive only remuneration related to their Board and Committee memberships and Board work from the company. The Board members are not included in Cargotec's short-term or long-term incentive plans.

Remuneration paid in 2011 to the Board members is shown in the following table.

| Member of the Board | Total remuneration in EUR* | Number of class B shares obtained as remuneration** |
|---|---|---|
| Ilkka Herlin, Chairman | 91,740 | 773 |
| Tapio Hakakari, Vice Chairman | 63,740 | 533 |
| Peter Immonen, member | 48,000 | 387 |
| Karri Kaitue, member | 48,000 | 387 |
| Antti Lagerroos, member | 48,000 | 387 |
| Teuvo Salminen, member | 48,000 | 387 |
| Anja Silvennoinen, member | 48,000 | 387 |
| Total | 395,480 | 3,241 |

*Including annual remuneration, meeting attendance fees and fringe benefits

**Value included in total remuneration

# President and CEO and the Executive Board

Rewarding principles, which are based on Cargotec's values, are applied in determining the total remuneration of the President and CEO and the Executive Board. The Nomination and Compensation Committee (NCC) decides on the base salaries, the short-term incentive plans and other benefits of Executive Board members. The Board of Directors makes decisions on the total remuneration package of the President and CEO and long-term incentive programmes, their target group and allocations based on the proposal of the NCC.

The total remuneration of the President and CEO and the Executive Board comprises a fixed base salary (including customary fringe benefits) and 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 the long-term targets of the company, and short-term bonuses.

In 2011 the short-term bonus plan included financial (operating profit, order intake, operative cash flow), strategic and individual targets. 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, 60 percent. The bonus payout based on 2011 targets will take place in 2012.

For the financial period 2011, the base salary of Cargotec's President and CEO **Mikael Mäkinen** was EUR 570,975 including fringe benefits. Mäkinen's bonus paid during 2011 was EUR 474,768. The President and CEO is covered by Cargotec's share-based incentive programme and the option programme. Based on the share-based incentive programme 2010, Mäkinen is entitled to receive 20,000 class B shares per earnings period, if performance criteria for earnings period 2010–2012 and earnings period 2011–2013 are met. Based on the option programme 2010, 20,000 2010A option rights and 20,000 2010B option rights were issued to Mikael Mäkinen.

The monetary remuneration paid to President and CEO and Executive Board members in 2011 is the following:

| | Base salary including fringe benefits in EUR | Short-term bonus payout in EUR (2011) |
|---|---:|---:|
| President & CEO, Mikael Mäkinen | 570,975 | 474,768 |
| Other members of Executive Board, in total | 2,889,405 | 1,082,898 |

Long-term incentive programmes: total number of shares and share-related rights granted to the President and CEO and Executive Board in 2010 and 2011 are summarized in following table. The realization of the shares and share-related rights is based on the earnings criteria which are described in “Long-term incentive plan” paragraph.

| | President & CEO, Mikael Mäkinen | Other members of Executive Board (in total) |
|---|---:|---:|
| **2011** | | |
| Option programme in 2011 (2010 B option rights) | 20,000 | 92,000 |
| Share based incentive programme (earnings period 2011–2013), number of shares (Class B, gross) | 20,000 | 85,000 |
| **2010** | | |
| Option programme in 2010 (2010 A option rights) | 20,000 | 90,000 |
| Share based incentive programme (earnings period 2010–2012), number of shares (Class B, gross) | 20,000 | 74,000 |

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. For Finnish nationals, such as President and CEO, the statutory retirement age is currently 63 years. 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 twelve months' salary for termination of employment. Other members of the Executive Board have a period of notice of six months and are entitled to compensation for termination of employment corresponding to 6–12 months' salary.

# Long-term incentive plan

## Share-based incentive programme

In March 2010, the Board of Directors decided to establish a new share-based incentive programme for Cargotec executives. 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 for three calendar years, and they commence in 2010, 2011 and 2012. The Board of Directors will decide on 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 information concerning the decisions made on the share-based incentive programme is summarised in the table below.

| Earnings period | | Earnings criteria | Target group |
|---|---|---|---|
| First earnings period | 2010–2012 | Operating profit margin and sales for fiscal year 2012 | Executive Board |
| Second earnings period | 2011–2013 | Operating profit margin and sales for fiscal year 2013 | Executive Board |
| Third earnings period | 2012–2014 | To be decided in 2012 | To be decided in 2012 |

The earnings criteria for the first earnings period 2010–2012 are Cargotec's operating profit margin and sales in the fiscal year 2013. For the second earnings period 2011–2013, the earnings criteria are Cargotec's operating profit margin and sales in the fiscal year 2013. The programme's two earnings periods cover 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. Rewards to be paid on the basis of the earnings periods 2010–2012 and 2011–2013 will correspond to a maximum total of 200,000 Cargotec class B shares (including the proportion to be paid in cash).

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.

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

## Option programme

The Annual General Meeting on 5 March 2010 confirmed that stock options will be issued to the key personnel of Cargotec and its subsidiaries. The 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 Board decides on the target group, earnings criteria and option issuance on an annual basis, in the spring of the years 2010 (2010A stock options), 2011 (2010B stock options) and 2012 (2010C stock options). The maximum total number of stock options issued will be 1,200,000.

Cargotec's option programme's subscription periods and earnings criteria are:

| | Timing of allocation decisions | Subscription period | Earnings criteria |
|---|---|---|---|
| Stock options 2010A | Spring 2010 | 1 April 2013–30 April 2015 | Operating profit 2010 |
| Stock options 2010B | Spring 2011 | 1 April 2014–30 April 2016 | Operating profit 2011 |
| Stock options 2010C | Spring 2012 | 1 April 2015–30 April 2017 | To be decided in 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 (the trade 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 entitling to 400,000 Cargotec class B shares, either new or treasury shares held by the company, had a criteria on 2010 operating profit. The operating profit target was fulfilled and hence, share subscription for all 359,500 stock options granted will begin in April 2013 as per programme terms and conditions.

In the spring of 2011, the Board issued 2010B stock options to nearly 80 persons, including the members of Cargotec’s Executive Board. With the 2010B option right, the share subscription price is EUR 31,23 per share (the trade volume weighted average quotation of the class B share on NASDAQ OMX Helsinki Ltd. during 14 March–25 March 2011). The dividends will be deducted from the share subscription price each year. The 2010B option rights entitle their holders to subscribe for a maximum 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 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 the financial year 2011 remains below EUR 205 million, the share subscription period for 2010B option rights will not commence. If the operating profit equals or exceeds EUR 205 million, the share subscription period will commence so that the number of 2010B option rights to be exercised will increase linearly up to maximum EUR 230 million of operating profit. If the operating profit for the financial year 2011 equals or exceeds EUR 230 million, the share subscription period will commence and apply to all 2010B option rights. The share subscription period will be 1 April 2014–30 April 2016.

Continued employment at 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.

## Share-based incentive programme 2007–2011

The President and CEO and other members of the Executive Board have been part of Cargotec key personnel’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.

## 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 2011. 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 and risks

Cargotec’s risk management supports the company’s values, strategy and goals, and continuity of operations, by anticipating risks involved in the company’s operations and managing them in the appropriate manner.

The main focus area in corporate risk management was to implement the risk management policy that was revised in 2010. When fully implemented, risk management will form an integral part of Cargotec's business processes and risk reporting is part of the units' operations.

Although the markets continued to recover, the risks associated with global economic development grew towards the end of the year. A major global recession was identified as a key strategic market-related risk for Cargotec, since developments in the global economy and cargo flows have a direct effect on Cargotec’s business.

# Risk management at Cargotec

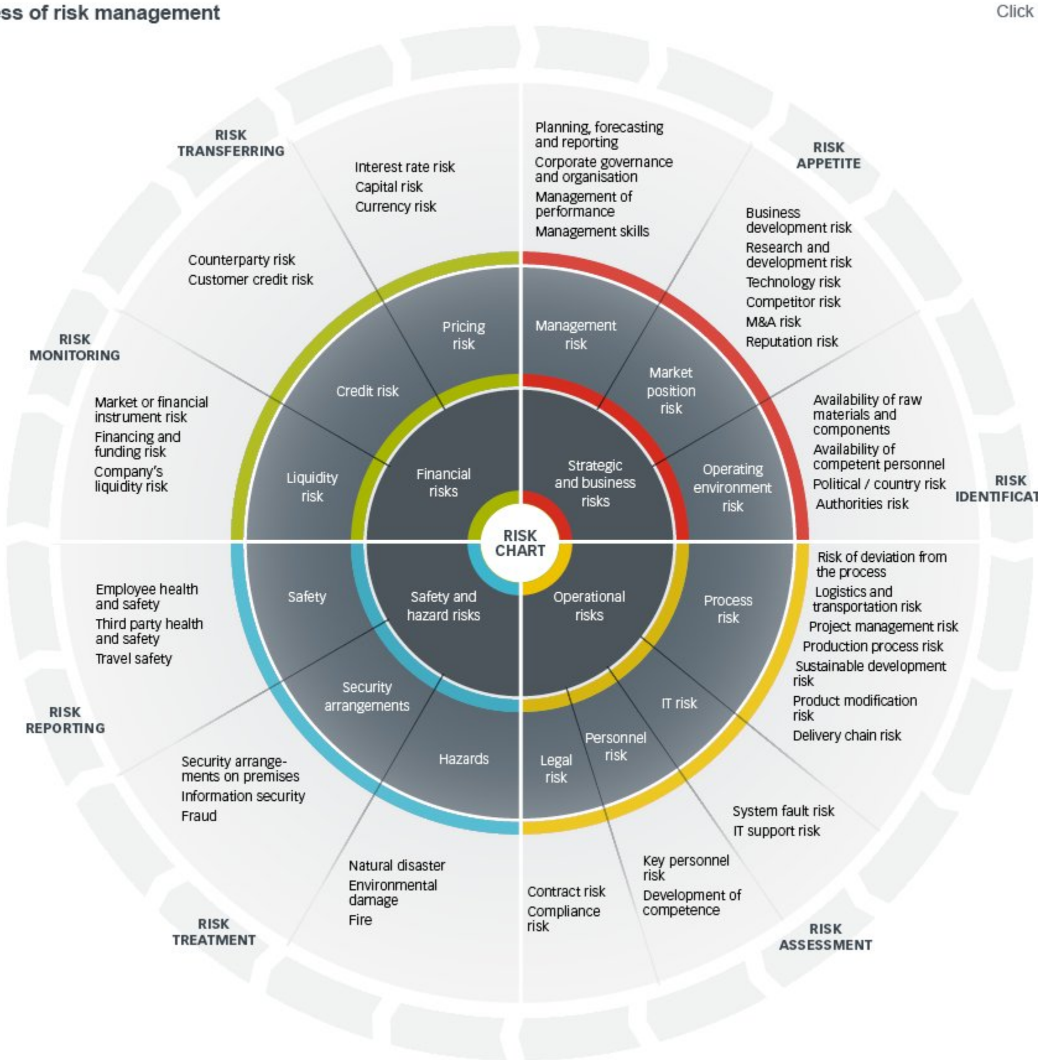
Cargotec's global operations require comprehensive risk management. Cargotec defines a risk as any internal or external threat or uncertainty which may prevent or jeopardise operations and the achievement of company objectives.

At Cargotec, risk management is part of internal control operations. The key principle is continuous, systematic and preventive action taken to identify risks, define the company's risk appetite, assess and manage risks and, should they materialise, to deal with them effectively.

## Risk classification

Process of risk management

Click to close




Cargotec divides risks into strategic and business risks, operational risks, financial risks, and safety and hazard risks, including environmental risks. The purpose of this classification is to draw attention to the correct risk treatment procedures and responsibilities, depending on the type of risk.

All risk categories are covered by the annual corporate risk review process, during which risks are assessed and risk treatment plans prepared. Strategic and business risks are also considered in conjunction with strategic planning processes and when making significant business decisions. Operational and safety and hazard risks are considered when running business processes and making operative decisions. The risk management principles of certain financial risks are defined in Cargotec’s treasury policy. Financial risks not covered by the treasury policy are subject to the principles of the corporate risk management policy.

## Responsibilities

The principles, processes and responsibilities of enterprise risk management are defined in the Cargotec risk management policy approved by the Board of Directors. Each Cargotec business unit is responsible for implementing risk management according to this policy.

The Board of Directors is responsible for ensuring sufficient risk management and control. The Board is also responsible for defining Cargotec’s risk appetite, that is, the level of risk accepted, on an overall basis. The Board shall receive relevant and timely reporting on risks and risk management as defined in the risk management policy, and it can mandate the Audit and Risk Management Committee of the Board to assist in the practical oversight role.

The CEO and the Executive Board are responsible for the implementation of the risk management policy and for the risk management process as a whole.

As far as is possible and practical, risk management is conducted in the business units and support functions as part of day-to-day processes. Identification, assessment, treatment planning and reporting are part of Cargotec’s planning and decision-making processes. Follow-up of risks and risk management actions are part of the management and follow-up of the company’s operations as a whole. Each Cargotec employee is responsible for identifying, assessing and managing risks in his or her area of responsibility, and for reporting any significant risks to the relevant managers.

The role of the corporate risk management function is to develop and coordinate the overall risk management framework and process. This function supports the businesses in implementing risk management and performs certain specified tasks, such as coordination of global insurance programmes.

In 2011, risk management issues were reported to the Audit and Risk Management Committee of the Board of Directors in April, September and November. The first meeting concentrated on the status and development needs of risk management and the second on reviews of strategic and selected support process risks. The last meeting of the year discussed business risks and the consolidated corporate risk review.

# Main risks

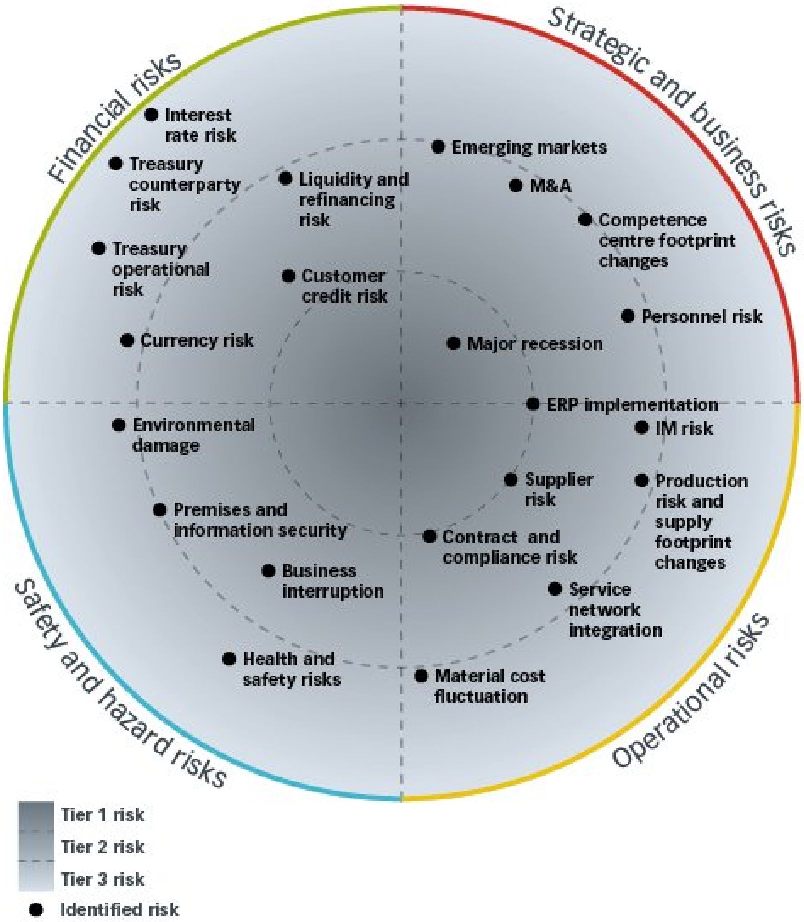
In 2011, the annual corporate risk review involved a larger number of business units than previously and covered all main risk categories. Business risks were reviewed as part of the budget planning for the year 2012. This review covered all Cargotec business areas, regions and the Supply organisation. Strategic risks were assessed during the strategy workshops in 2010 and reviewed again in the year 2011 strategy sessions.

The corporate risk review consists of risk identification and assessment of risk impact and probability. For the most critical risks, mitigation plans are devised in order to bring the risks to a level acceptable to Cargotec.

The below graph presents the main risks identified in 2011 and their classification on the basis of probability and impact.

**Risk radar**

Main risks identified in 2011




## Strategic risks

### Major recession

In the category of strategic risks, a major global recession was deemed possible and identified as having the highest impact on our business.

Developments in the global economy and cargo flows have a direct effect on Cargotec's business. A major global recession would significantly affect global cargo volumes, while customers' investment activity could decline due to financing difficulties. Further significant business impacts might include the postponement of orders, intensifying cost competition and financial instability among Cargotec suppliers and customers.

### Emerging markets

Postponement of the expected benefits of the new production concept in China may be possible. A key market-related challenge is ensuring product portfolio development according to customer expectations in emerging markets. Other risks are people related, such as high personnel turnover, availability of human resources and cultural differences.

### Mergers and acquisitions

Any merger and acquisition (M&A) underscores the M&A capabilities of personnel. Cargotec's acquisition of the US-based terminal operating systems provider, Navis, was completed in March 2011. Achievement of the desired strategic and synergy targets and the degree of automation integration are among the critical risks identified. Other M&A risks are typically contractual and environmental. Retaining key personnel is a vital issue in any M&A.

It is likely that, in a global recession, the financing of acquisitions would become more difficult for Cargotec.

### Personnel risk

Cargotec views the availability of competent human resources in emerging markets as a strategic as well as operational risk. In addition, the change of the company's operating model and subsequent restructuring could lead to loss of key persons in existing locations. Further personnel risks are related to the growth of Cargotec's service business, in which skilful personnel is a key success factor.

Cargotec is developing its global network of technology and competence centres. In building new and reorganising existing operations, main people-related risks lie in the retention of key human resources and knowledge and the availability of competent workforce at new sites. Other significant risks are related to effective information sharing, on the one hand, and information security, on the other.

### Enterprise resource planning implementation

Implementation of the company-wide business system platform is categorised as an operational risk, but due to its high impact it is also considered a strategic risk. These risks are mainly related to implementation schedules, project budgeting and availability of local personnel resources during the roll-out.

## Operational risks

### Information management risk

A major risk has been identified in the current business system platform implementation, which has also been categorised as a strategic risk for the company. Other critical information management risks are observed in the areas of infrastructure and business application continuity, as well as governance of development projects.

### Supplier risk

The most critical supplier risks have been identified as quality problems which could put Cargotec's reputation at risk, as well as the financial stability of suppliers during a global recession. Basic supplier risks are related to delivery time and capacity. Other supplier risks are related to suppliers' ability to adapt to changes in Cargotec's production footprint and product offering for emerging markets. In addition, Cargotec's multi-assembly unit production concept requires that suppliers are able to increase the scope of their deliveries.

### Production risk and supply footprint changes

Due to the market situation, Cargotec does not consider lack of production capacity to be a high short-term risk. However, this risk may increase when the economic cycle turns. Risks during changes in the supply footprint include improvement of in- and outbound logistics at new production locations, as well as establishing a balance between capacity and demand during production transfer. Retaining key capabilities and personnel is again a key concern.

### Contract and compliance (legal) risk

Stand-alone contracts are becoming larger and customers are insisting on adherence to new sales conditions. Other contract and compliance risks are related to assumed liabilities in M&As, follow-up of continuously changing international trade restrictions and control of competition compliance.

### Service network integration

Cargotec is integrating the services organisation globally across regions and business areas. This process is forthcoming in the Americas and Asia-Pacific. The risk is reducing as the integration process approaches its final step, concerning Europe, Middle East and Africa (EMEA), the biggest service region, which has a long history to build on. However, adapting to the new way of working could be challenging. Cargotec has high growth targets for its services business in emerging markets, which calls for the global availability of competent personnel for the service business.

### Material cost fluctuation

For Cargotec, the risk of material and component cost fluctuations is smaller during recessions. However, there is a risk that the economic upturn is not foreseen early enough, in which case rising material costs will not be immediately transferrable to Cargotec product prices.

There is a general risk that suppliers will not invest in new capacity in time, before the next turn of the cycle.

## Financial risks

Cargotec's existing centralised corporate treasury processes have reduced interest, currency, counterparty, operational, liquidity and re-financing risks. Nevertheless, a major recession and global financial crisis could increase the liquidity and re-financing risks. Another risk identified is the customer credit risk, including bankruptcy, order cancellation and delayed payments.

More information on financial risks is available in Note 3 to the consolidated financial statements, Financial risk management.

## Safety, hazard and environmental risks

The impact of a natural catastrophe, fire or other external risk at a Cargotec location has been successfully reduced by the flexible multi-assembly unit production concept and the increased proportion of subcontracting. Cargotec sees, however, that the impact of interruptions in supplier deliveries is increasing, with single source suppliers posing the greatest risk. Problems could have a serious impact in areas with a concentrated supplier base.

Cargotec is paying continuous attention to employee, customer and third party health, safety and environmental risks. It is also following up the development of local legislation in emerging markets. In addition, the increasing importance of product liability issues has been anticipated.

# Developments in 2011

Key actions during the year were related to developing the corporate risk review process in order to identify the most critical risks and continuing the integration of risk management within the company's business processes.

In 2011, risk management continued to be integrated into all Cargotec core management and support processes, rather than creating a multitude of separate risk management processes. This makes risk management more efficient and supports systematic information collection, reporting and consolidation at corporate level. Cargotec's risk management function provides advice and reviews process descriptions to ensure that risk management and risk management methods have been appropriately considered.

Risk management audits of Cargotec's own Supply units as well as our critical suppliers are continuously conducted by an external party, under the direction of Cargotec corporate risk management. Alongside these audits, a business interruption analysis is carried out, which includes the creation of recovery plans in case of operational interruptions.

During the year, a maturity study of information security at Cargotec was also performed, providing recommendations for further development.

Several development processes were continued in order to support the strategic focus area of internal clarity within Cargotec. Cargotec has adopted common project management methods and processes to ensure that development projects support strategy implementation. The common project model applies to all development projects and supports their risk management. Before a development project can be accepted for the company project portfolio, project owners perform an analysis mapping any challenges and preliminary risk factors.

In 2011, Cargotec formed a joint corporate quality, environment, health and safety (QEHS) function. Corporate risk management contributed to planning and participates in the coordination and development of QEHS within the company. Cargotec is taking steps towards an integrated management system, which also incorporates risk management. Occupational health and safety issues and the related risks are discussed also in the People section of this annual report.

Corporate travel and meetings management piloted a mobile travel alert service in Finland. This service, which will be extended to all Cargotec units country by country from 2012, enables travelling personnel to be reached before and during their trips, when necessary.

In 2011, the effects on Cargotec of major natural disasters, including the earthquake and tsunami in Japan and the floods in Australia, remained limited.

# Board of Directors' report

## Operating environment

The markets for load handling equipment grew in 2011. Demand clearly grew for loader cranes, truck-mounted forklifts and tail lifts in particular. At the end of the year, the markets were marked by uncertain business environments, particularly in Europe.

During 2011, the number of containers handled in ports grew, even if the year's growth forecast was revised downwards to 6.5 percent in the fourth quarter. Brisker demand for container handling equipment used in ports reflected a revival in activity. Activation of major projects reflected initially in demand for rubber-tyred gantry cranes early in the year, and continued with several agreements for larger port automation projects in the second half.

Demand was healthy for marine cargo handling equipment. While fewer new ships were ordered during the year 2011 than in 2010, larger sizes and different types of vessels had a positive impact on the need for ship-specific marine cargo handling equipment. During the first half, demand was driven by the large number of bulk vessels ordered in 2010. Demand for cargo handling equipment for bulk vessels slowed towards the end of the year, but revived for cargo handling equipment destined for RoRo and container ships.

In line with the rise in customers' capacity utilisation rates, services markets grew throughout the year for load handling and terminals. Demand perked up for various refurbishment and modernisation projects, as well as for spare part sales. The second half saw a recovery also in services for marine cargo handling equipment.

## Orders received and order book

Orders received in 2011 grew 18 percent and amounted to EUR 3,233 (2,729) million. In geographical terms, most orders were received in EMEA (Europe, Middle East, Africa). EMEA accounted for 45 (40) percent of all orders, Asia-Pacific for 33 (40) percent, while that of Americas was 22 (20) percent. With a 23 (25) percent share of orders received, service business orders grew in all market areas.

At the end of 2011, the order book totalled EUR 2,426 (31 Dec 2010: 2,356) million, which was three percent higher than at the end of 2010. Industrial & Terminal's order book totalled EUR 1,054 million, representing 43 percent and that of Marine EUR 1,375 million, or 57 percent of the consolidated order book.

## Sales

In 2011, sales grew 22 percent, totalling EUR 3,139 (2,575) million. Sales growth matched Cargotec's guidance of approximately 20 percent. In 2011, currency rate changes had a one percent positive impact on sales compared to 2010. Services sales grew 10 percent and amounted to EUR 745 (678) million, representing 24 (26) percent of total sales. Greater delivery volumes, due to improved demand in both Industrial & Terminal and Marine segments, boosted growth in sales compared to last year. With improved capacity utilisation rates among customers, the service business saw growth in all market areas. EMEA (Europe, Middle East, Africa) represented 40 (42) percent of consolidated sales, Asia-Pacific 39 (40) and Americas 21 (18) percent. Cargotec's target is annual sales growth exceeding 10 percent.

## Financial result

Operating profit in 2011 clearly grew compared to the comparison period, totalling EUR 207.0 (131.4) million, representing 6.6 (5.1) percent of sales. Thus, Cargotec attained its guidance of an approximately 7 percent operating profit margin for 2011. Operating profit includes a one-off provision of EUR 10.0 million in quality costs for Industrial & Terminal. Reasons for the quality deviation and corrective measures needed are being investigated together with the component supplier and the insurance companies. Operating profit would otherwise have reached 6.9 percent of sales. The improved profit is due to the recovery in the market environment and structural cost-savings measures by Cargotec. On the other hand, higher component prices and fixed costs burdened profitability. Cargotec's target is to raise its operating profit margin to 10 percent.

Net financing expenses in 2011 amounted to EUR -15.1 (-29.9) million and net interest expenses EUR -16.7 (-21.7) million. The significant decline in net financing expenses was a result of favourable interest rate environment and interest rate differentials in major currencies (EUR, SEK and USD) of Cargotec's business operations. The interest rate component of forward foreign exchange agreements used for hedging Cargotec's currency position was EUR 5.6 (-3.0) million in 2011.

Net income in 2011 totalled EUR 149.3 (78.0) million and earnings per share EUR 2.42 (1.21).

## Balance sheet, cash flow and financing

The consolidated balance sheet total was EUR 3,120 (31 Dec 2010: 2,916) million at the end of 2011. Equity attributable to equity holders was EUR 1,173 (1,065) million, representing EUR 19.12 (17.37) per share. Tangible assets on the balance sheet were EUR 283 (292) million and intangible assets EUR 981 (839) million. The total equity/total assets ratio increased to 43.3 (42.7) percent. The rise in intangible assets is due to the Navis acquisition.

Return on equity (ROE) in 2011 was 13.3 (8.0) percent and return on capital employed (ROCE) 13.3 (8.6) percent.

Cash flow from operating activities, before financial items and taxes, in 2011, totalled EUR 166.3 (292.9) million. During the financial period, the dividend payment totalled EUR 37.4 (27.9) million. Net working capital increased from EUR 43 million to EUR 144 million during the financial period. Due to the nature of the business, growth in Industrial & Terminal ties more working capital than in Marine. Gearing rose from 16.0 percent to 25.4 percent. Payment of Navis acquisition in March increased the gearing. Cargotec's target is to keep gearing below 50 percent over the cycle.

Cargotec's financing structure and liquidity are healthy. In September, Cargotec further strengthened its liquidity by signing two long-term credit facilities totalling EUR 120 million. Of this, EUR 50 million was drawn in September and EUR 70 million in October. These credit facilities will mature in 2018–2021. In January, Cargotec signed a EUR 300 million five-year revolving credit facility, which was undrawn at the end of the year. This replaced an undrawn EUR 300 million facility that would have matured in May 2012.

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

Interest-bearing net debt at the end of 2011 was EUR 299 (31 Dec 2010: 171) million. Interest-bearing debt amounted to EUR 512 (502) million, of which EUR 98 (97) million was current and EUR 414 (405) million non-current debt. On 31 December 2011, the average interest rate on the loan portfolio was 3.7 (3.5) percent. Cash and cash equivalents, loans receivable and other interest-bearing assets totalled EUR 213 (31 Dec 2010: 330) million.

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

## New products and product development

Research and product development expenditure in 2011 totalled EUR 60.0 (37.1) million, representing 1.9 (1.4) percent of sales and 2.0 (1.5) percent of all operating expenses excluding restructuring costs. Increase in research and product development expenditure, of which Navis accounted for approximately EUR 11 million, is a result of focused investments in improvement of competitiveness.

In 2011, Cargotec was active in the Finnish Metals and Engineering Competence Cluster, an open innovation platform deepening collaboration between these various organisations. Examples of the results of such cooperation include a parametric and configurable hatch cover model developed by Cargotec. This reduces the design lead time from eight weeks to one or two days. Cargotec also participates in various programmes covering energy efficiency, use of information technology and future services.

Product development within Industrial & Terminal saw continued investment in the further development of energy efficient solutions and solutions for emerging markets. New products introduced in 2011 include a more environmentally friendly hooklift, which optimises energy and operating efficiency and a new stiff boom hoisting crane for emerging markets. This new speedy crane has compact dimensions. In addition, a new heavy loader crane was introduced to customers. The new heavy lifter provides a longer outreach and smoother operation than other cranes in its capacity range.

Terminal tractors' options for energy efficiency were improved. Starting in 2012, off road terminal tractors sold outside North America will include, as standard, a fuel saving option that can save as much as 15 percent in fuel consumption and reduce 9,000 kg of CO2 emissions per year. Terminal tractors delivered from 2009 onwards can also be retrofitted with this option. In addition, within port automation there have been improvements in areas such as software architecture. This will enable faster, more flexible implementation of applications for customers, as well as improved after sales support. Hand in hand with the launch of its G-generation medium forklift truck range, Cargotec introduced the EGO cabin design, with considerable improvements to driver safety and ergonomics. In November Cargotec announced a cooperation agreement with Singapore Technologies Kinetics Ltd, to develop automated port equipment for container terminal customers.

Marine's product development focus lay in developing new product models, improving the performance of equipment already in the product range and lowering product costs. In addition, development work continued on electrical cranes and hatch covers as well as self-loading systems. Cargotec has participated in a concept study initiated by DNV (Det Norske Veritas). This aims to introduce innovative solutions that increase efficiency and reduce the environmental impact of bulk ship operations. New solutions meeting these requirements were introduced to the markets. During the financial period, the first car carriers with fully electronic MacGregor RoRo equipment were delivered from Japan. Cargotec, in collaboration with A.P. Møller Maersk A/S, has developed a new, safe and efficient fully automated dual-function twistlock. The parties entered into a frame agreement which covers the delivery of 1.6 million fully-automated dual-function twistlocks during the next two to three years. Cargotec introduced a new innovative Chain Wheel Manipulator for anchor handlers. This is a remotely-controlled device that keeps crew members clear of potentially hazardous operations and delivers cost effective ways of working. In this way, it improves a vessel's profitability.

## Capital expenditure

Capital expenditure in 2011, excluding acquisitions and customer financing, totalled EUR 47.0 (43.9) million. Investments in customer financing were EUR 29.6 (16.4) million. Depreciation, amortization and impairment in 2011 amounted to EUR 63.3 (60.4) million.

Cargotec is investing approximately EUR 35 million in building an innovative Technology and Competence Centre in Tampere, Finland, during the years 2011–2013. Some EUR 10 million was invested in 2011. The centre forms part of Cargotec's global network of competence centres and will develop port terminal solutions for the benefit of customers. The site will host Cargotec's most extensive test area. This new centre is due become operational in December 2012.

## Acquisitions

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.

In December 2010, Cargotec became a majority shareholder in Cargotec Terminal Solutions (Malaysia) Sdn. Bhd. (former 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.

At the end of January, Cargotec announced the acquisition of US-based terminal operating systems provider Navis. The transaction value was approximately USD 190 million (approximately EUR 130 million). The company has more than 300 employees, the majority of whom are located in the United States and India. The acquisition was completed in March after regulatory approvals were received. Cargotec consolidated Navis' results for the first time in Industrial &Terminal reporting segment's second quarter figures as of 19 March 2011. The re-measurement of deferred revenue in Navis acquisition date balance sheet decreases the post-acquisition sales and profitability of Navis by approximately EUR 10 million for slightly over one year when consolidating into Cargotec.

In November, Cargotec and Komas signed a letter of intent which outlined the guidelines for deepening the companies' cooperation as a long-term sourcing partnership. According to the agreement, Komas acquires Cargotec's component manufacturing operations in Narva, Estonia. All approximately 370 employees will transfer to Komas. The deal is expected to be closed in February 2012.

## Personnel

Cargotec employed 10,928 (31 Dec 2010: 9,954) people at the end of 2011. Industrial & Terminal employed 8,290 (7,310) people, Marine 2,122 (2,191) and corporate-level support functions 516 (453). The average number of employees in 2011 was 10,692 (9,673). Acquisitions increased the Industrial & Terminal headcount by close to 500 people. Part-time personnel represented 2 (2) percent of employees. 16 (16) percent of personnel were female and 84 (84) percent male.

At the end of 2011, 17 (20) percent of the employees were located in Sweden, 10 (10) percent in Finland and 30 (30) percent in the rest of Europe. Asia-Pacific personnel represented 28 (25) percent, North and South American 13 (11) percent, and the rest of the world 2 (2) percent of total employees.

Salaries and remunerations to employees totalled EUR 419 (364) million in 2011.

In 2011, global initiatives and actions were planned and implemented according to the people strategy’s key priorities. In this way, it was ensured that these measures contributed directly to achieving Cargotec’s strategy and business targets. A strong focus was placed on leadership development, talent and performance management, and employee engagement. The people strategy’s fundamental goals are to attract and retain key talent, enhance performance culture in Cargotec, and maximise employee engagement across the organisation.

Cargotec Compass, the first global employee survey in Cargotec, was introduced in 2010. A follow-up survey conducted in 2011 measured how widely Compass team discussions, action planning and some key people processes were completed, and how the working together culture had improved. Communications and information flow were flagged as areas in need of development. Special attention has been paid to internal communications, both at team and company level. The strategy communications initiative held in 2011 has contributed to a broader understanding of both team-level and individual goals.

In October, Cargotec announced plans to change its operating model. This was intended to accelerate the strategy’s implementation and streamline the organisation of centralised Support functions and central Supply. The greatest need for personnel adjustments was in Finland and Sweden. The cooperation negotiations with employee representatives resulted in 28 personnel reductions in centralised Support functions and central Supply in Finland. The cooperation negotiations concerning these functions in Sweden were still ongoing at the beginning of 2012. The shared financial services operations were decided to be outsourced and will result in reductions of some 50 jobs. Earlier in the year 2011, minor personnel adjustments due to operational changes were made in various countries of operation. Measures taken to promote the re-employment of affected employees include training opportunities and internal transfers.

## Lawsuit in Finland

During the second quarter, Cargotec Finland Oy received an action brought against the co-operation procedure at Salo factory in 2008. Cargotec finds the action unfounded and inappropriate, denies non-compliance and has made no provision relating to the action.

## Strategic development

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

In July, Cargotec announced plans to establish a joint venture with its long-term partner, Jiangsu Rainbow Heavy Industries Co., Ltd. (RHI) in China. The joint venture would provide leading heavy crane solutions globally, expand delivery capacity and bring new growth opportunities to the Chinese and global markets. Cargotec's ownership in the joint venture would be 49 percent and the value of Cargotec's equity investment approximately EUR 30 million. In connection with the establishment of the joint venture, Cargotec plans to strengthen its strategic partnership with RHI by becoming an owner in the company. Cargotec also plans to acquire a 49 percent interest in China Crane Investment Holdings Limited for approximately EUR 50 million. China Crane currently owns 18.75 percent of shares in RHI. The joint venture will begin operating in 2012, after regulatory approvals have been received.

In order to promote customer focus, Cargotec decided to establish a competence centre for container terminals development in Singapore. The new global competence centre will further strengthen the ability to provide total solutions for customers in the whole Asia-Pacific region.

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

Greater internal clarity is another core strategic area. To this end, efforts focused on the development of common processes and ways of working. Development and implementation of the company-wide ERP system and related processes progressed according to plan during the year.

In October, Cargotec announced plans to accelerate the implementation of its strategic initiatives by changing its operational model. At the beginning of 2012, Industrial &Terminal was divided into two new business areas: Terminals and Load Handling. Cargotec’s Supply organisation, which developed factory operations and related sourcing activities, was divided into the new business areas.

## Changes in Executive Board’s responsibilities

The following changes were made in Executive Board’s responsibilities when changing the operational model: Business area Terminals is led by Unto Ahtola as Executive Vice President, Terminals. Unto Ahtola was previously responsible for business area Industrial & Terminal. Axel Leijonhufvud was appointed to lead the new business area Load Handling as Executive Vice President, Load Handling. He was previously responsible for Supply. Business areas Marine and Services will continue unchanged. Kirsi Nuotto is responsible for Human Resources. There were no other changes in Executive Board’s responsibilities from 1 January 2012. Anne Westersund, Vice President, Communications and Marketing, reports to President and CEO Mikael Mäkinen from 1 January 2012. However, she is not a member of Executive Board. Cargotec’s external financial reporting segments will be Marine, Terminals and Load Handling. These changes will be effective from 1 January 2012. Comparative figures will be provided before reporting the figures for Q1/2012.

## Sustainability

Cargotec has analysed the environmental impacts of its operations and its products and concluded that the most significant impacts from its operations are generated through the use of its products by customers. Interviews with top management and senior level executives in businesses, as well as received customer feedback, supported this view. Therefore Cargotec has decided that the main focus of its sustainability work is on enhancing customers’ sustainability. The environmental load caused by Cargotec’s products is at its largest towards the end of the value chain. The most significant environmental impacts of Cargotec’s own processes are related to those originating from the operations of the assembly units, transportation, commuting to and from work, and business travel. As a global operator, Cargotec has identified the challenges related to the management of environmental issues in the countries where the company is present. Cargotec’s aim is to achieve the best possible practices taking into account the local circumstances.

Cargotec’s health and safety management and environmental management are in line with Cargotec strategy, which is defined by Cargotec Executive Board. Corporate EHS function is responsible for ensuring and developing processes and EHS target setting globally. Human resources is responsible for managing health practices and well-being activities globally. Business and line organisations are responsible for adapting common environmental, health and safety processes to local operations.

In 2011, Cargotec re-evaluated the Pro Future™ criteria, which are now used to analyse environmental impacts on a larger scale than previously. Within each category, the product or service with the highest score offers the most significant benefits. The criteria have now been developed in such way that it is possible to employ them in the development of all future Cargotec products. Thus, they also serve as a tool for research, development and engineering purposes. Pro Future™ is a key measure in Cargotec’s commitment to reducing the use of fossil fuels in its equipment by ten percent, through the Clinton Global Initiative. The Pro Future™ criteria are also indicative of Cargotec’s commitment to reducing greenhouse gas emissions. In 2011, Cargotec deepened its collaboration with VTT, Technical Research Centre of Finland, in order to commission a neutral perspective on its assessment of the environmental impact of the company’s products. The aim of such collaboration is to confirm that Cargotec’s Pro Future™ analysis correctly reflects the way in which environmental impacts should be monitored, both in terms of order of priority and relative importance.

Cargotec’s own operations have a relatively minor effect on the environment – and one which the company is making continuous efforts to reduce. Cargotec is actively monitoring the environmental, health and safety impacts of its operations. In managing environmental impacts, as well as in issues concerning quality, health and safety, Cargotec relies on its certified environmental, quality and safety systems. Almost all assembly units are using the key environmental, occupational health and safety indicator monitoring system. A report on the related results is published annually, on Cargotec's website.

In order to limit indirect energy consumption, Cargotec employs tools to enable web conferences and phone meetings, and encourages all Cargotec personnel to use these rather than travelling. This has been instituted on the level of company policy and all business-related air travel emissions are monitored accordingly. When constructing new facilities and developing new products, Cargotec engages with pioneering environmental initiatives, whenever possible. A good example of this is Cargotec's forthcoming technology and competence centre in Tampere, Finland. The building and facilities will embody a high level of energy efficiency and emission-cutting standards and practices

## Internal control and risk management

The objective of Cargotec's internal control is to ensure that management decisions are implemented, 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. In 2011, the main focus area in corporate risk management was to implement the revised risk management policy.

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. As far as it is possible and practical, risk management is conducted in 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 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 emerging markets requires risk management, not only concerning the shift but also actual operation in these markets.

Operational risks relate to personnel, processes, contracts, products, information technology and practices. The materialisation of operational risks may result in business interruptions, delivery delays, cost excess, quality problems 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 safety and hazard risks include risks related to people, property, business interruptions, intellectual property and logistics. Cargotec has worldwide insurance covering all units.

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

## Reporting segments

### Industrial & Terminal

Orders received in 2011 grew 33 percent, totalling EUR 2,240 (1,690) million. Orders increased in all geographic areas, mainly in Asia-Pacific. In terms of unit numbers, reachstacker orders were at an all-time high. Additionally, during the period Industrial & Terminal secured a high number of individual orders, which are typical of the Industrial business in particular. Order book grew 55 percent during the year thanks to brisk demand, totalling EUR 1,054 (31 Dec 2010: 680) million at the end of 2011.

In October, Cargotec was chosen as the preferred partner to supply 40 automatic stacking cranes with the related technology, and 28 shuttle carriers, to DP World's deepsea container port London Gateway. This order is significant to Cargotec's port business and will strengthen the company's position as a leader in the field of port automation. During the fourth quarter, Cargotec also agreed on the delivery of four ship-to-shore cranes and 10 rubber-tyred gantry cranes (RTG) to Mexico, as well as of eight rubber-tyred gantry cranes to the Philippines. In addition, Cargotec delivered 80 loader cranes to a Mexican oil company.

In September, Cargotec signed an agreement for port automation in the US. The contract includes the delivery of ten automatic stacking cranes and 17 automatic shuttle carriers. Cargotec also received its first ever order for ship-to-shore cranes for West African ports. Four cranes will be delivered during the third quarter of 2012 and the contract includes an option for the delivery of four more cranes. In addition, Cargotec entered in September into a five-year frame agreement with the U.S. Department of Defense to supply approximately 1,890 light capability rough terrain forklifts. The total value of the agreement is estimated at around USD 160 million (EUR 113 million). Cargotec will book the order during the five-year time frame, as delivery orders are received. During the third quarter, also an order for over 50 port equipment was received from Venezuela.

In March, Cargotec signed a long-term frame agreement with Siemens Wind Power A/S, for custom-made Hiab cranes that will be used for the service and maintenance of wind turbines.

In 2011, sales grew 26 percent and amounted to EUR 1,929 (1,526) million. Sales for services grew 12 percent to EUR 564 (505) million, representing 29 (33) percent of sales. Thanks to the order book and the recovery of the market environment, clear growth was seen in delivery volumes during the reporting period.

Operating profit for Industrial & Terminal in 2011 clearly improved and amounted to EUR 76.5 (28.8) million, representing 4.0 (1.9) percent of sales. Comparative figure includes EUR 8.3 million in restructuring costs. Operating profit includes a one-off provision of EUR 10 million in quality costs. Reasons for the quality deviation and corrective measures needed are being investigated together with the component supplier and the insurance companies. Operating profit would otherwise have reached 4.5 percent of sales. Operating profit margin during 2011 was affected by a significant increase in research and product development spending due to sizeable investments in automation technology. Research and development expenditure in Navis was approximately EUR 11 million. In addition, margin was affected by higher component prices and fixed costs, during a period of tight competition.

### Marine

Orders received in 2011 declined four percent and totalled EUR 997 (1,040) million. New orders were mainly received for equipment for bulk and general cargo vessels as well as container ships. Offshore support vessels-related orders showed some signs of recovery. 69 percent of orders were received in Asia-Pacific, reflecting the concentration of shipbuilding mainly in China, South Korea and Japan. Major orders included orders from South Korean shipyards for hatch covers and container lashings worth EUR 25 million, orders for cargo cranes worth EUR 20 million, as well as an order for RoRo equipment worth more than EUR 20 million. Also included were orders from Chinese shipyards for cargo cranes worth EUR 25 million and orders for more than 50 electric cargo cranes. In addition, Cargotec signed agreements for the delivery of RoRo equipment for three container/RoRo vessels and two navy vessels. Cargotec also received orders for three Siwertell unloaders to Morocco and India worth approximately EUR 40 million in total.

Due to high deliveries and decreased new orders, Marine's order book declined by 18 percent from the 2010 year-end, totalling EUR 1,375 (31 Dec 2010: 1,675) million at the end of 2011. More than 70 percent of the order book is bulk, general cargo and container ship-related. Offshore support vessels-related orders comprise around 10 percent of the order book.

Sales in 2011 grew to EUR 1,213 (1,050) million, of which EUR 181 (173) million was services sales, representing 15 (16) percent of sales. A strong order book and successful project deliveries expedited growth in sales.

Operating profit in 2011 amounted to EUR 176.2 (147.4) million or 14.5 (14.0) percent of sales. This profitability is reflecting successful deliveries based on a strong order book.

During the second quarter, Mitsubishi Heavy Industries Shimonoseki shipyard gave Marine Offshore business and the Japanese team the Best Supplier 2010 award. The shipyard chooses the best supplier every year. The reward has traditionally been given to a Japanese supplier, and therefore, this can be considered an important recognition.

## Decisions taken at Cargotec Corporation's Annual General Meeting

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

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

The number of members of the Board of Directors was confirmed at seven. Tapio Hakakari, Ilkka Herlin, Peter Immonen, Karri Kaitue, Antti Lagerroos, Teuvo Salminen and Anja Silvennoinen were re-elected to the Board of Directors. The meeting decided that a yearly remuneration of EUR 80,000 be paid to the Chairman, EUR 55,000 to the Vice Chairman and EUR 40,000 to other Board members. In addition, it was decided that members should receive EUR 500 for attendance of Board and Committee meetings and that 30 percent of their yearly remuneration would be paid in Cargotec Corporation's class B shares, with the rest paid in cash.

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

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

## Organisation of the Board of Directors

On 8 March 2011, the Board of Directors elected Ilkka Herlin to continue as Chairman of the Board and Tapio Hakakari as Vice Chairman. Outi Aaltonen, Senior Vice President, Cargotec's General Counsel, continues as Secretary to the Board of Directors.

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

## Shares and trading

### Share capital and own shares

Cargotec Corporation's share capital totalled EUR 64,304,880 at the end of 2011. The number of class B shares listed on NASDAQ OMX Helsinki Ltd. was 54,778,791 while that of unlisted class A shares totalled 9,526,089. The amount includes 2,959,487 own class B shares held by the company, accounting for 4.60 percent of the share capital and 1.97 percent of the total voting rights of all shares. The shares were repurchased in 2005–2008. The number of issued class B shares, excluding treasury shares held by the company, totalled 51,819,304 at the end of 2011. On 31 December 2011, 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 15,002,008 (15,002,570). At the end of 2011, Cargotec Corporation had 20,893 (16,982) registered shareholders. There were 8,500,096 (12,831,581) nominee-registered shares, representing 13.22 (19.95) percent of the total number of shares, which corresponds to 5.67 (8.55) percent of all votes.

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

## Share-based incentive programme

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

The programme includes three earnings periods, each lasting three calendar years, which commence in 2010, 2011 and 2012. The Board of Directors will decide on the target group, earnings criteria and the targets to be established for them, as well as the maximum amount of reward payable for each earnings period. Earnings criteria for the earnings period 2010–2012 comprise Cargotec's operating profit margin and sales for the fiscal year 2012. For the second earnings period 2011–2013, the earnings criteria are the operating profit margin and sales for the fiscal year 2013. The programme's first two earnings periods cover the members of Cargotec's Executive Board. No decision has been made on the criteria or target group for the third earnings period.

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

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

## Option programme

In March 2010, the AGM confirmed that stock options will be issued to key personnel of Cargotec and its subsidiaries. The Board decides on the target group, earnings criteria and option issuance on an annual basis, in the spring of the years 2010 (2010A stock options), 2011 (2010B stock options) and 2012 (2010C stock options). The maximum total number of stock options issued will be 1,200,000. The share subscription period for stock options 2010A will be 1 April 2013–30 April 2015, for stock options 2010B, 1 April 2014–30 April 2016 and for stock options 2010C, 1 April 2015–30 April 2017.

In spring 2011, the Board of Directors decided to issue 2010B stock options to around 80 persons, including members of Cargotec's Executive Board. For the share subscription period for 2010B stock options to begin, the performance targets established by the Board must be attained. Stock options for which the targets are not attained will expire.

In line with the Board's decision, should the operating profit for 2011 range between EUR 205–230 million, the number of shares offered for subscription will be defined linearly, up to EUR 230 million in operating profit. With operating profit of EUR 207 million entered for 2011, share subscription will begin with 29,136 2010B stock options in April 2014, as per the terms and conditions of the option programme. The share subscription price for stock option 2010B is EUR 31.23/share. Dividends will be deducted from the share subscription price each year.

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

### Market capitalisation and trading

At the end of 2011, the total market value of class B shares was EUR 1,191 (2,023) million, excluding treasury shares held by the company. The year-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 1,410 (2,390) million, excluding treasury shares held by the company.

The class B share closed at EUR 22.98 (39.03) on the last trading day of 2011 in NASDAQ OMX Helsinki Ltd. The volume weighted average share price in 2011 was EUR 26.79 (26.08), the highest quotation being EUR 39.60 (39.37) and the lowest EUR 16.35 (19.16). In 2011, a total of more than 58 (47) million class B shares were traded on NASDAQ OMX Helsinki Ltd., corresponding to a turnover of EUR 1,564 (1,226) million. The average daily trading volume of class B shares was 230,397 (186,891) shares or EUR 6,182,769 (4,864,852).

In addition to NASDAQ OMX Helsinki Ltd., a total of 45 (35) million class B shares were traded on several alternative market places, corresponding to a turnover of EUR 1,205 (886) million. Shares were mainly traded in Chi-X and BATS Europe.

## Loans, liabilities and commitments to persons belonging to the company’s related party

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 2011. 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, of the consolidated financial statements.

## 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 on Cargotec’s business environment and customers’ willingness to invest. Economic development for 2012 is characterised by considerable uncertainty. This affects Europe in particular and could be amplified by risks associated with foreign exchange market volatility and the financial sector. The uncertainty impinges on Cargotec's ability to forecast, and could quickly lead to weaker demand for its products and bleaker short-term prospects.

During previous economic downturns, softening of the markets has first become evident in demand for load handling equipment. These products have an order lead time of three to four months, whereas this is clearly longer for other Cargotec products. If demand weakens rapidly, Cargotec will not necessarily be able to react quickly enough, which could erode profitability.

Credit loss levels can rise alongside deterioration in the market situation. In addition, liquidity among customers could diminish as credit availability tightens. Cargotec is dependent on component suppliers. Deterioration in their economic situation could lead to delivery problems.

During 2012, Cargotec is engaged in several major port automation projects. In order to manage the associated business risks, these require close management of both the project itself and, in particular, the supply chain.

Although an order book looking over a year ahead benefits forecasting in Marine, in the current market new vessel orders could remain low for economic and financial reasons. This would have a delayed impact on Marine's business activities. Around EUR 100 million of the segment’s orders could be subject to a risk of postponement or cancellation.

## Board of Director's proposal on the distribution of profit

The parent company's distributable equity on 31 December 2011 was EUR 832,012,986.20 of which net income for the period was EUR -31,291,932.71. The Board of Directors proposes to the AGM convening on 19 March 2012, that of the distributable profit, a dividend of EUR 0.99 of each of the 9,526,089 class A shares and EUR 1.00 for each of the 51,819,304 outstanding class B shares be paid, totalling EUR 61,250,132.11. The remaining distributable equity, EUR 770,762,854.09 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 on the company's financial standing.

## Outlook for 2012

Cargotec expects its 2012 sales to grow and operating profit margin to improve compared to 2011.

## Annual General Meeting 2012

Cargotec Corporation's Annual General Meeting will be held at the Marina Congress Center in Helsinki, Finland on Monday, 19 March 2012 at 1.00 pm EET.

Helsinki, 7 February 2012

Cargotec Corporation

Board of Directors

# Consolidated financial statements (IFRS)

**Contents**

# Consolidated financial statements (IFRS)

## Consolidated statement of income

| MEUR | Note | 1 Jan–31 Dec 2011 | % | 1 Jan–31 Dec 2010 | % |
|---|---|---|---|---|---|
| **Sales** | 4, 6 | **3,138.7** | | **2,575.0** | |
| Cost of goods sold | | -2,480.9 | | -2,052.2 | |
| **Gross profit** | | **657.8** | **21.0** | **522.8** | **20.3** |
| Other operating income | 7 | 46.9 | | 43.2 | |
| Selling and marketing expenses | | -180.7 | | -146.0 | |
| Research and development expenses | | -59.0 | | -34.7 | |
| Administration expenses | | -203.4 | | -197.9 | |
| Restructuring costs | 8 | - | | -10.5 | |
| Other operating expenses | 7 | -55.1 | | -46.3 | |
| Share of associated companies' and joint ventures' net income | 17, 18 | 0.5 | | 0.8 | |
| **Operating profit** | 4, 8, 9, 10 | **207.0** | **6.6** | **131.4** | **5.1** |
| Financing income | 11 | 9.3 | | 3.1 | |
| Financing expenses | 11 | -24.4 | | -33.1 | |
| **Income before taxes** | | **191.9** | **6.1** | **101.4** | **3.9** |
| Income taxes | 12 | -42.7 | | -23.4 | |
| **Net income for the period** | | **149.3** | **4.8** | **78.0** | **3.0** |
| | | | | | |
| **Net income for the period attributable to:** | | | | | |
| Equity holders of the parent | | 148.6 | | 74.2 | |
| Non-controlling interest | | 0.6 | | 3.8 | |
| **Total** | | **149.3** | | **78.0** | |
| | | | | | |
| **Earnings per share for profit attributable to the equity holders of the parent:** | 13 | | | | |
| Basic earnings per share, EUR | | 2.42 | | 1.21 | |
| Diluted earnings per share, EUR | | 2.42 | | 1.21 | |

## Consolidated statement of comprehensive income

| MEUR | | 1 Jan–31 Dec 2011 | 1 Jan–31 Dec 2010 |
|---|---|---|---|
| **Net income for the period** | | 149.3 | 78.0 |
| Gain/loss on cash flow hedges | | -13.1 | 102.5 |
| Gain/loss on cash flow hedges transferred to statement of income | | -18.8 | -25.6 |
| Translation differences | | 20.4 | 124.3 |
| Taxes relating to components of other comprehensive income | 12 | 6.3 | -53.7 |
| **Comprehensive income for the period** | | **144.1** | **225.5** |
| | | | |
| **Comprehensive income for the period attributable to:** | | | |
| Equity holders of the parent | | 143.7 | 220.3 |
| Non-controlling interest | | 0.4 | 5.2 |
| **Total** | | **144.1** | **225.5** |

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

# Consolidated statement of financial position

| MEUR | Note | 31 Dec 2011 | 31 Dec 2010 |
|---|---|---|---|
| **ASSETS** | | | |
| | | | |
| **Non-current assets** | | | |
| Goodwill | 14 | 804.7 | 748.9 |
| Other intangible assets | 15 | 176.2 | 89.7 |
| Property, plant and equipment | 16 | 283.4 | 292.4 |
| Investments in associated companies and joint ventures | 17, 18 | 6.3 | 6.5 |
| Available-for-sale investments | 19, 22 | 4.3 | 4.3 |
| Loans receivable and other interest-bearing assets * | 22 | 8.4 | 7.7 |
| Deferred tax assets | 20 | 121.6 | 103.6 |
| Derivative assets | 22, 33 | 38.2 | 20.0 |
| Other non-interest-bearing assets | 22, 23 | 4.7 | 5.1 |
| **Total non-current assets** | | **1,447.8** | **1,278.2** |
| | | | |
| **Current assets** | | | |
| Inventories | 21 | 821.3 | 678.8 |
| Loans receivable and other interest-bearing assets * | 22 | 1.1 | 4.9 |
| Income tax receivables | | 10.9 | 16.0 |
| Derivative assets | 22, 33 | 22.9 | 73.5 |
| Accounts receivable and other non-interest-bearing assets | 22, 23 | 598.7 | 546.3 |
| Cash and cash equivalents * | 22, 24 | 203.7 | 317.7 |
| **Total current assets** | | **1,658.7** | **1,637.4** |
| | | | |
| **Assets held for sale** | 25 | **13.4** | **0.4** |
| | | | |
| **Total assets** | | **3,119.9** | **2,916.0** |

* Included in interest-bearing net debt

| MEUR | Note | 31 Dec 2011 | 31 Dec 2010 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| | | | |
| **Equity attributable to the equity holders of the parent** | | | |
| Share capital | | 64.3 | 64.3 |
| Share premium account | | 98.0 | 98.0 |
| Translation differences | | 105.6 | 86.8 |
| Fair value reserves | | 9.6 | 33.3 |
| Retained earnings | | 895.7 | 783.0 |
| **Total equity attributable to the equity holders of the parent** | **26, 27** | **1,173.2** | **1,065.4** |
| | | | |
| Non-controlling interest | | 4.0 | 3.7 |
| **Total equity** | | **1,177.1** | **1,069.0** |
| | | | |
| **Non-current liabilities** | | | |
| Loans * | 22, 28 | 420.5 | 403.8 |
| Deferred tax liabilities | 20 | 51.4 | 58.7 |
| Pension obligations | 29 | 45.6 | 45.2 |
| Provisions | 30 | 33.4 | 24.9 |
| Derivative liabilities | 22, 33 | 16.0 | 3.9 |
| Other non-interest-bearing liabilities | 22, 31 | 15.3 | 33.7 |
| **Total non-current liabilities** | | **582.1** | **570.1** |
| | | | |
| **Current liabilities** | | | |
| Current portion of long-term loans * | 22, 28 | 51.2 | 41.1 |
| Other interest-bearing liabilities * | 22, 28 | 46.7 | 55.4 |
| Provisions | 30 | 69.4 | 65.0 |
| Advances received | | 402.6 | 411.3 |
| Income tax payables | | 40.4 | 22.4 |
| Derivative liabilities | 22, 33 | 23.2 | 38.6 |
| Accounts payable and other non-interest-bearing liabilities | 22, 31 | 727.0 | 642.8 |
| **Total current liabilities** | | **1,360.5** | **1,276.8** |
| | | | |
| **Liabilities directly associated with assets held for sale** | 25 | **0.2** | **-** |
| | | | |
| **Total equity and liabilities** | | **3,119.9** | **2,916.0** |

* 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 2011, EUR - 6.1 (31 Dec 2010: 1.2) million.

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

## Consolidated statement of changes in equity

| MEUR | Note | Share capital | Share premium account | Translation differences | Fair value reserves | Retained earnings | Total | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| | | Attributable to the equity holders of the parent | | | | | | | |
| **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 |
| Cash flow hedges | | | | | 58.2 | | 58.2 | -0.4 | 57.8 |
| Translation differences | | | | 87.9 | | | 87.9 | 1.8 | 89.6 |
| **Comprehensive income for the period *** | | | | **87.9** | **58.2** | **74.2** | **220.3** | **5.2** | **225.5** |
| Dividends paid | 26 | | | | | -24.4 | -24.4 | -2.0 | -26.4 |
| 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** |
| | | | | | | | | | |
| **Equity 1 Jan 2011** | | 64.3 | 98.0 | 86.8 | 33.3 | 783.0 | 1,065.4 | 3.7 | 1,069.0 |
| Net income for the period | | | | | | 148.6 | 148.6 | 0.6 | 149.3 |
| Cash flow hedges | | | | | -23.7 | | -23.7 | | -23.7 |
| Translation differences | | | | 18.8 | | | 18.8 | -0.2 | 18.6 |
| **Comprehensive income for the period *** | | | | **18.8** | **-23.7** | **148.6** | **143.7** | **0.4** | **144.1** |
| Dividends paid | 26 | | | | | -37.3 | -37.3 | -0.1 | -37.4 |
| Share-based incentives, value of received services * | | | | | | 1.4 | 1.4 | | 1.4 |
| Other changes | | | | | | 0.0 | 0.0 | 0.0 | 0.0 |
| **Equity 31 Dec 2011** | | **64.3** | **98.0** | **105.6** | **9.6** | **895.7** | **1,173.2** | **4.0** | **1,177.1** |

* 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 2011 | 1 Jan−31 Dec 2010 |
|---|---|---|---|
| Net income for the period | | 149.3 | 78.0 |
| Depreciation, amortization and impairments | 10 | 63.3 | 60.5 |
| Financing items | 11 | 15.1 | 29.9 |
| Taxes | 12 | 42.7 | 23.4 |
| Change in receivables | | -23.4 | 21.1 |
| Change in payables | | 60.2 | 91.4 |
| Change in inventories | | -136.9 | -4.5 |
| Other adjustments | | -3.9 | -7.0 |
| **Cash flow from operations** | | **166.3** | **292.9** |
| | | | |
| Interest received | | 3.3 | 3.3 |
| Interest paid * | | -21.4 | -27.0 |
| Dividends received | | 0.0 | 0.0 |
| Other financial items | | 0.8 | 19.5 |
| Income taxes paid | | -46.1 | -29.4 |
| **Cash flow from operating activities** | | **102.9** | **259.3** |
| | | | |
| Capital expenditure | 16 | -76.6 | -63.2 |
| Proceeds from sales of fixed assets | 16 | 15.6 | 36.7 |
| Acquisitions, net of cash | 5 | -131.1 | -40.1 |
| Cash flow from investing activities, other items | | 6.8 | -1.8 |
| **Cash flow from investing activities** | | **-185.3** | **-68.3** |
| | | | |
| Proceeds from share subscriptions | | - | - |
| Acquisition of treasury shares | | - | - |
| Proceeds from long-term borrowings | | 120.2 | - |
| Repayments of long-term borrowings | | -102.1 | -106.3 |
| Proceeds from short-term borrowings | | 5.7 | 1.9 |
| Repayments of short-term borrowings | | -5.6 | -13.0 |
| Dividends paid | | -37.4 | -27.9 |
| **Cash flow from financing activities** | | **-19.1** | **-145.2** |
| | | | |
| **Change in cash** | | **-101.5** | **45.8** |
| | | | |
| Cash, cash equivalents and bank overdrafts 1 Jan | 24 | 303.6 | 252.5 |
| Effect of exchange rate changes | | -1.6 | 5.4 |
| **Cash, cash equivalents and bank overdrafts 31 Dec** | **24** | **200.4** | **303.6** |
| | | | |
| Bank overdrafts 31 Dec | | 3.3 | 14.1 |
| **Cash and cash equivalents 31 Dec** | | **203.7** | **317.7** |

*Interest paid include EUR 0.4 (2010: 0.2) 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 a 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 7 February 2012. 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 financial statements 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 2011 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 2011:

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

IAS 32 Financial instruments: Presentation – Classification of Rights Issues (amendment). 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 Prepayments of a Minimum Funding Requirement (amendment).

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

## Consolidation principles

The consolidated financial statements include the parent company Cargotec Corporation and the subsidiaries, in which the parent company holds directly or indirectly 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 value of the assets transferred, the liabilities incurred and the equity interest 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.

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. The possible contingent consideration is recognised at fair value at the acquisition date and it is measured at fair value at the end of each reporting period, when it is classified as a financial liability. The change in fair value is recognised in the statement of income. 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.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. 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 statement of comprehensive income.

All intercompany transactions, receivables, liabilities, unrealised profits and distribution of profits within Cargotec are eliminated in the consolidated financial statements. Accounting principles of subsidiaries have been changed where necessary to ensure consistency with the principles adopted by Cargotec Corporation.

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 parent company. For acquisitions 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. 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.

## 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 intercompany 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 statement of comprehensive income, until transferred to the 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.

## 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 statement of comprehensive income. Some intercompany loan agreements form part of a net investment as their settlement is neither planned nor probable in foreseeable future, and thus the exchange rate gains and losses of these contracts is also recognised as translation differences in the statement of comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in equity.

Translation differences from acquisition cost eliminations and post acquisition profits and losses of subsidiaries, associated companies and joint ventures outside the euro area are recognised in the statement of comprehensive income. When a foreign entity or part of it is disposed, accumulated translation differences previously recognised in other comprehensive income are reclassified to 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. Operating segments are not aggregated to build the reporting segments.

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

## 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.

Revenues from software licence fees are recognised when the software is delivered. Maintenance revenues from licence agreements are recognised over the maintenance period, and fees from development of customised software are recognised as sales by reference to stage of completion of development when the outcome can be estimated reliably.

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 estimated 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 amortised 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 statement of comprehensive income includes taxes on items presented in the 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 intercompany 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 amortised 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, technologies, 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 except for customer relationships which are amortised over 5-15 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 pre-tax 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 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 balance sheet as assets and liabilities at the inception of the lease period at the lower of the fair value of the leased equipment and 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 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 balance sheet according to the nature of the asset. Income from operating leases is recognised on a straight-line basis over the lease term. The depreciation of the leased asset is consistent with the normal depreciation policy of similar assets.

In a finance lease the risks and rewards of ownership are transferred to the lessee. The sales profit is recognised similarly to profit from an outright sale. Finance lease receivables are recognised in balance sheet 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

Customer 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. Customer finance contracts are classified as operating or finance lease contracts, hire purchase contracts or loans.

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 and 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 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

Financial assets are classified in financial assets recorded at fair value through profit or loss, loans and other receivables, or financial assets available-for-sale. The asset is classified at the initial purchase and the category is determined by the purpose of the asset. Assets with maturities within 12 months are presented in balance sheet in current assets, and those with maturities over 12 months in non-current assets.

Financial assets recorded at fair value through profit or loss include 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 higher than the estimated recoverable amount. Accounts receivable are recorded at original invoiced amount less an estimated valuation allowance for impairment. An allowance is recognised when there is objective evidence that Cargotec will not be able to collect all amounts due.

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 transactions in the other financial asset categories are recognised on settlement date.

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 bank deposits 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 balance sheet 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. Changes in fair value are recognised in the statement of income.

Financial liabilities recognised at amortised cost are initially recognised 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 in non-current and current liabilities. 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. Arrangement and commitment fees paid for unused credit facilities are capitalised as prepayment and amortized over the period of the facility.

### Derivative financial instruments and hedge accounting

Derivative instruments are initially recognised on the balance sheet at cost, which equals the fair value, and are subsequently measured at fair value on each balance sheet date. Fair values of 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 within 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 and annual 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 statement of other comprehensive income. However, for currency forwards only the exchange rate difference is recognised in other comprehensive income and the fair value changes due to interest rate difference is recognised in financial expenses 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. If 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 other operating 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.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of reporting period less fair value of plan assets, together with adjustments for unrecognised actuarial gains and losses. The defined benefit obligation is calculated using projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate or government bonds.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised. 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 at the beginning of the respective year. 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.

Defined benefit pension costs consist of current service costs, interest costs, expected return on plan assets, actuarial gains and losses recognised in the statement of income and the effects of any curtailment or settlement.

### 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. A restructuring provision is booked to the function costs, to which it by nature belongs. However, should there be a significant restructuring plan, the provision is recognized in other operating expenses.

### 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 incentives paid as shares, options or in cash. The benefits granted in accordance with the incentive plan are valued at fair value at the grant date and are expensed on a straight-line basis over the earnings period. The fair value of the equity settled incentives is the market value at the grant date. The fair value of the options is determined using the Black-Scholes option pricing model. These share-based payments are booked as an increase in equity. The cash settlements are valued at fair value at each closing until the settlement date and recognised as a liability.

The expensed amount is based on the estimated future benefits at the end of the earnings 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 closing and 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 2012 Cargotec will adopt the following new and amended standards and interpretations by the IASB:

IFRS 7 Financial instruments: Disclosures – Derecognition (amendment). This amendment will promote transparency in the reporting of transfer transactions and improve users’ understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity’s financial position, particularly those involving securitisation of financial assets.

IAS 12 Income taxes – Deferred tax (Amendment)*. IAS 12 currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40, ‘Investment property’. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, ‘Income taxes - recovery of revalued non-depreciable assets’, will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn.

The following standards, interpretations and amendments will be applied in 2013 or later:

IFRS 9 Financial instruments*. IFRS 9 is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for) financial assets: amortised cost and fair value. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply.

IFRS 10 Consolidated financial statements*. The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entity (an entity that controls one or more other entities) to present consolidated financial statements. Defines the principle of control, and establishes controls as the basis for consolidation. Set out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. Sets out the accounting requirements for the preparation of consolidated financial statements.

IFRS 11 Joint arrangements*. IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

IFRS 12 Disclosures of interests in other entities*. IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

IFRS 13 Fair value measurement*. IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs.

IAS 27 Separate financial statements (revised)*. Revised standards includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.

IAS 28 Associates and joint ventures (revised)*. Revised standards includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

IAS 1 Presentation of financial statement – other comprehensive income (amendment)*. The main change resulting from these amendments is a requirement for entities to group items presented in other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

IAS 19 Employee benefits (amendment)*. These amendments eliminate the corridor approach and calculate finance costs on a net funding basis.

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. Critical accounting estimates and judgements requiring management estimation

When preparing the consolidated financial statements, management makes estimates and assumptions which have an impact on reported assets and liabilities, presentation of the contingent assets and liabilities in notes and reported income and expenses of the financial year. These estimates are based on 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. Cargotec follows the changes in estimates, assumptions and the factors affecting them by using multiple internal and external sources of information. Possible changes in estimates and assumptions are recognized in accounting in the financial period the estimate or assumption is changed.

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.

### Critical accounting estimates and assumptions

Estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

### Impairment testing

Tangible and intangible assets are tested for impairment always, when there is any indication of impairment. 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, normal use of the assets or increase in interest rate. Internal sources of information include evidence of 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 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. On 31 December 2011, Cargotec had goodwill amounting to EUR 804.7 (31 Dec 2010: 748.9) million and other intangible assets with indefinite life totalling EUR 41.2 (31 Dec 2010: 41.2) million. Additional information on the sensitivity of the recoverable amount to assumptions used is given in Note 14, Goodwill.

### Taxes

Determination of income taxes and deferred tax assets and liabilities and the amount of deferred tax asset to be recognised requires management judgement. On 31 December 2011, Cargotec had EUR 72.7 (31 Dec 2011: 68.8) million deferred tax assets resulting from carried forward tax losses.

Cargotec is subject to income tax in numerous jurisdictions. 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.

### Business combinations

Net assets acquired through business combinations are measured at fair value. The consideration exceeding the value of assets acquired is recognised as goodwill according to the accounting principles. The measurement of fair value of the assets is based on market value of similar assets (tangible assets), or an estimate of expected cash flows (intangible assets). The measurement, which is based on repurchase value, expected cash flows or estimated sales price requires management judgement and assumptions. 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.

### 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, Employee benefits.

### Revenue recognition

Percentage of completion method is applied to separately identified long-term construction contracts. Application of 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 has come to attention and can be estimated. The expected loss from the long-term construction contract is expensed immediately. In 2011 approximately 3.2 (2010: 3.5) percent of sales were recognised based on the percentage of completion of the long-term construction contracts. Additional information is disclosed in note 6, Long-term construction contracts.

### 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 actual costs may differ from the estimated costs. 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. On 31 December 2011, provisions totalled EUR 102.9 (31 Dec 2010: 89.9) million, of which EUR 8.6 (31 Dec 2010: 9.1) million were restructuring provisions. Additional information is disclosed in note 30, Provisions.

### Inventories

Cargotec recognises an allowance for obsolete items at the end of the reporting period based on best knowledge. The estimate is based on systematic and continuous control over the inventory. Nature, age structure and volumes based on estimated need are taking into consideration when estimating the amount of allowance. The amount of allowance for obsolete items in the balance sheet on 31 December 2011 totalled EUR 79.2 (31 Dec 2010: 76.0) million. Additional information is disclosed in note 21, Inventories.

### Accounts receivable

Cargotec recognises an impairment on accounts receivable at the end of the reporting period based on best knowledge when there is objective evidence that Cargotec will not be able to collect all amounts due. Estimates are based on systematic and continuous follow-up as part of the credit risk control. The amount of impairment in the balance sheet on 31 December 2011 totalled EUR 17.8 (31 Dec 2010: 19.8) million. Additional information on impairment on accounts receivable is disclosed in note 23, Accounts receivable and other non-interest-bearing liabilities.

# 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 objectives of treasury management are 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 risk 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 contractual cash flows, related to sales, purchases and financing, are fully hedged. Other highly probable cash flows may be hedged, if deemed necessary by Cargotec Treasury and the business unit. The business units report their risk exposures to Cargotec Treasury and hedge the positions via intercompany 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 of 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. As a result of the hedging, Cargotec effectively holds EUR 225 million long-term fixed rate debt.

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 balance sheet, the hedges assigned to those 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 two years, except for the interest flows of the US dollar denominated corporate bonds, and their respective hedges, which materialise within eight years.

If US dollar had strengthened/weakened 10 percent against euro, effect on the pre-tax profit would have been EUR 0.9 million positive/negative (31 Dec 2010: 1.3 million negative/positive), and on other comprehensive income EUR 19.0 (31 Dec 2010: 13.2) million negative/positive.

If Swedish krona had strengthened/weakened 10 percent against euro, effect on the pre-tax profit would have been EUR 1.8 million positive/negative (31 Dec 2010: 0.2 million negative/positive), and on other comprehensive income EUR 17.7 (31 Dec 2010: 30.3) million positive/negative.

If Swedish krona had strengthened/weakened 10 percent against US dollar, effect on the pre-tax profit would have been EUR 0.6 million negative/ positive (31 Dec 2010: EUR 0,3 million positive/negative), and on other comprehensive income EUR 30.7 (31 Dec 2010: 29,8) million positive/negative.

Investments in non-euro-area subsidiaries cause translation differences, recorded in consolidated equity (translation risk). In addition to equity shares, Cargotec holds intercompany loan contracts regarded as net investments. Exchange rate gains and losses arising from these loans are recorded as translation differences. The objective of translation position management is to hedge the capital structure so as to balance the effect of foreign exchange rate fluctuations on debt and equity. For the moment, no hedging requirements have emerged due to the capital structure.

### Interest rate risk

Fluctuations in market interest rates have an effect on consolidated interest outflows and the fair 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 statements of income, financial position and cash flow, 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 2011, Cargotec consolidated interest-bearing debt totalled EUR 518.3 (31 Dec 2010: 500.3) million, of which EUR 243.7 (31 Dec 2010: 246.2) million consisted of fixed rate corporate bonds, EUR 83.3 (31 Dec 2010: 99.9) million of other long-term fixed rate loans, EUR 2.3 (31 Dec 2010: 2.4) million of finance lease liabilities and the rest, EUR 188.8 (31 Dec 2010: 151.7) million of floating rate loans, short term loans and bank overdrafts. On 31 December 2011, the average duration of interest-bearing debt, including hedges of loans, was 28 (31 Dec 2010: 38) months.

The EUR 213.3 (31 Dec 2010: 330.3) million investment portfolio consisted mainly of short term deposits and bank account balances. Interest-bearing loan receivables totalled EUR 7.1 (31 Dec 2010: 12.7) million and customer finance related finance lease receivables EUR 2.4 (31 Dec 2010: 0) million. The average duration of the deposits was less than one month (31 Dec 2010: one month), and that of the loans receivable 7 (31 Dec 2010: 8) months.

Following the sensitivity analysis in accordance with IFRS 7, per one percentage point increase/decrease in interest rates, the effect on consolidated net interests would be EUR 0.5 million (31 Dec 2010: 0.5) million positive/negative). The statement of income sensitivity is due to bank account balances, variable rate loans and bank overdrafts. The sensitivity is calculated as annual effect assuming the balance sheet remains unchanged.

Cargotec recognises fair value changes of all currency forward contracts due to interest component immediately in financial income and expenses and 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 2011<br>MEUR | 0-6 mths | 6-12 mths | 12-24 mths | 24-36 mths | Later | Total |
|---|---|---|---|---|---|---|
| Interest-bearing assets | 207.5 | 3.7 | 0.3 | 0.3 | 1.4 | 213.3 |
| Non-current loans from financial institutions | -159.0 | -16.7 | -33.3 | -16.7 | - | -225.7 |
| Corporate bonds | -12.2 | - | - | -73.3 | -158.1 | -243.7 |
| Finance lease liabilities | -0.4 | -0.2 | -0.6 | -0.2 | -0.8 | -2.3 |
| Current interest-bearing liabilities* | -31.1 | -15.6 | - | - | - | -46.7 |
| **Net** | **4.8** | **-28.8** | **-33.6** | **-89.9** | **-157.6** | **-305.1** |

| 31 Dec 2010<br>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** |

*Including bank overdrafts

On 31 December 2011, 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 relationship with strategic suppliers.

## Liquidity and funding risks

Liquidity risk is managed by retaining long-term liquidity reserves, exceeding short term liquidity requirement. On 31 December 2011, the liquidity reserves, including cash and cash equivalents and long-term unused credit facilities, totalled EUR 504 (31 Dec 2010: 903) million. Short term liquidity requirement includes the repayments of short and long-term debt within the next 12 months, as well as strategic liquidity requirement, defined by Treasury Committee, which covers the operative funding demand within the following 12 months. On 31 December 2011, repayments of short and long-term interest-bearing liabilities due in the following 12 months totalled EUR 94.7 (31 Dec 2010: 82.3) million.

During 2011, Cargotec has renewed the committed long-term credit facilities, resulting in total EUR 300 facility maturing in 2016 (31 Dec 2010, the facilities totalled EUR 585 million with maturities in 2012-2013). The facilities were unused in 2011 and 2010. According to the facility agreement, Cargotec has a right to withdraw funds on three days' notice on agreed terms. Additionally, to fulfil short-term cash management requirements, Cargotec holds available short term bank overdraft facilities of EUR 165 (31 Dec 2010: 181) million and a EUR 150 million Commercial Paper facility, which was unused in 2011 and 2010.

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 percent. On 31 December 2011 gearing was 25.4 (31 Dec 2010: 16.0) per cent. According to management assessment, Cargotec is in 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 Board of Directors.

## Maturities of financial liabilities

| 31 Dec 2011<br>MEUR | 2012 | 2013 | 2014 | 2015 | 2016 | Later | Total |
|---|---|---|---|---|---|---|---|
| Derivatives | | | | | | | |
| Fx forward contracts, outflow | -3,830.9 | -173.3 | -0.3 | -6.3 | -3.1 | - | -4013.8 |
| Fx forward contracts, inflow | 3,833.0 | 178.1 | 0.3 | 6.3 | 3.2 | - | 4020.8 |
| Cross-currency and interest rate swaps, outflow | -10.5 | -10.5 | -79.2 | -7.2 | -7.2 | -161.4 | -276.1 |
| Cross-currency and interest rate swaps, inflow | 12.9 | 12.9 | 82.9 | 8.9 | 8.9 | 167.2 | 293.8 |
| **Derivatives, net** | **4.5** | **7.2** | **3.7** | **1.7** | **1.8** | **5.8** | **24.7** |
| | | | | | | | |
| Accounts payable and other non-interest bearing liabilities | -356.6 | -6.2 | -4.1 | -2.3 | -2.0 | -0.7 | -371.9 |
| Loans from financial institutions, repayments | -81.8 | -38.3 | -21.7 | -5.0 | -2.5 | -120.0 | -269.3 |
| Loans from financial institutions, finance charges | -6.4 | -4.7 | -3.7 | -3.4 | -3.3 | -10.4 | -31.9 |
| Corporate bonds, repayments | -12.2 | - | -73.4 | - | - | -158.4 | -244.1 |
| Corporate bonds, finance charges | -13.1 | -12.9 | -9.5 | -8.9 | -8.9 | -8.8 | -62.1 |
| Finance leases, repayments | -0.7 | -0.6 | -0.2 | -0.1 | -0.1 | -0.6 | -2.3 |
| Finance leases, finance charges | -0.1 | -0.1 | -0.1 | -0.1 | 0.0 | -0.1 | -0.5 |
| **Total** | **-466.5** | **-55.6** | **-108.9** | **-18.0** | **-15.1** | **-293.2** | **-957.4** |

| 31 Dec 2010<br>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** |

Corporate bonds have maturities ranging from 2012 to 2019 and loans from financial institutions have maturities ranging from 2012 to 2021.

## 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 2011 and 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's target is to retain gearing below 50 percent. The elements of gearing are presented in the table below.

| MEUR | 31 Dec 2011 | 31 Dec 2010 |
|---|---|---|
| Interest-bearing liabilities* | 512.2 | 501.5 |
| Interest-bearing loan receivables | -9.5 | -12.7 |
| Cash and cash equivalents | -203.7 | -317.7 |
| **Interest-bearing net debt** | **299.0** | **171.2** |
| | | |
| Equity | 1,177.2 | 1,069.0 |
| | | |
| **Gearing** | **25.4%** | **16.0%** |

*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. These reports are prepared according to IFRS. Operating segments has not been aggregated to build the reportable segments. Management considers the business from a product perspective and assess the performance of the segment based on operating profit. The transfer pricing between segments is based on market prices.

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 2011 and 1 Jan-31 Dec 2010 Cargotec did not have individual significant customers according to definition of IFRS 8.

| 1 Jan–31 Dec 2011<br>MEUR | Industrial & Terminal | Marine | Segments total | Eliminations and nonallocated items | Cargotec total |
|---|---|---|---|---|---|
| Sales | | | | | |
| Services | 564.0 | 180.9 | 744.9 | - | 744.9 |
| Products | 1,361.4 | 1,032.4 | 2,393.8 | - | 2,393.8 |
| External sales total | 1,925.5 | 1,213.2 | 3,138.7 | - | 3,138.7 |
| Internal sales | 3.5 | 0.2 | 3.7 | -3.7 | - |
| **Total sales** | **1,929.0** | **1,213.4** | **3,142.4** | **-3.7** | **3,138.7** |
| | | | | | |
| Depreciation and amortisation | 48.8 | 8.6 | 57.4 | 5.2 | 62.6 |
| Impairment charges | 0.6 | - | 0.6 | - | 0.6 |
| Share of associated companies' and joint ventures' net income | 0.4 | 0.1 | 0.5 | - | 0.5 |
| **Operating profit** | **76.5** | **176.2** | **252.7** | **-45.7** | **207.0** |
| % of sales | 4.0% | 14.5% | - | - | 6.6% |
| | | | | | |
| Financing items | - | - | - | - | -15.1 |
| **Income before taxes** | **-** | **-** | **-** | **-** | **191.9** |

| 1 Jan–31 Dec 2010<br>MEUR | Industrial & Terminal | Marine | Segments total | Eliminations and nonallocated items | Cargotec total |
|---|---|---|---|---|---|
| Sales | | | | | |
| Services | 504.8 | 173.2 | 678.0 | - | 678.0 |
| Products | 1,020.4 | 876.7 | 1,897.1 | - | 1,897.1 |
| 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 | - |
| **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 | 5.8 | 60.4 |
| 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** |

## 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 2011<br>MEUR | Industrial & Terminal | Marine | Segments total | Eliminations and nonallocated items | Cargotec total |
|---|---|---|---|---|---|
| Non-interest-bearing assets | 1,855.7 | 828.2 | 2,683.9 | 51.7 | 2,735.6 |
| Investments in associated companies and joint ventures | 5.1 | 1.1 | 6.3 | - | 6.3 |
| Unallocated assets, interest-bearing | - | - | - | 213.3 | 213.3 |
| Other unallocated assets | - | - | - | 164.8 | 164.8 |
| **Total assets** | **1,860.8** | **829.3** | **2,690.1** | **429.8** | **3,119.9** |
| | | | | | |
| Non-interest-bearing liabilities | 670.8 | 642.5 | 1,313.2 | 2.9 | 1,316.1 |
| Unallocated liabilities, interest-bearing * | - | - | - | 512.2 | 512.2 |
| Other unallocated liabilities | - | - | - | 124.0 | 124.0 |
| **Total liabilities** | **670.8** | **642.5** | **1,313.2** | **639.1** | **1,952.3** |
| | | | | | |
| Assets employed | 1,190.0 | 186.9 | 1,376.9 | 48.9 | 1,425.8 |
| Capital expenditure | 65.9 | 3.5 | 69.3 | 7.3 | 76.6 |

| 31 Dec 2010<br>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 |

*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 2011, EUR -6.1 (31 Dec 2010: 1.2) million.

## Orders

| | Orders received | | Order book | |
|---|---|---|---|---|
| MEUR | 1 Jan–31 Dec 2011 | 1 Jan–31 Dec 2010 | 31 Dec 2011 | 31 Dec 2010 |
| Industrial & Terminal | 2,240.4 | 1,689.7 | 1,054.5 | 680.3 |
| Marine | 996.6 | 1,040.0 | 1,374.5 | 1,675.5 |
| Eliminations | -3.7 | -0.8 | -2.9 | -0.2 |
| **Total** | **3,233.2** | **2,728.9** | **2,426.2** | **2,355.6** |

## Number of employees

| | Average | | At the end of year | |
|---|---|---|---|---|
| | 1 Jan–31 Dec 2011 | 1 Jan–31 Dec 2010 | 31 Dec 2011 | 31 Dec 2010 |
| Industrial & Terminal | 8,057 | 7,055 | 8,290 | 7,310 |
| Marine | 2,148 | 2,190 | 2,122 | 2,191 |
| Corporate administration and support functions | 488 | 428 | 516 | 453 |
| **Total** | **10,692** | **9,673** | **10,928** | **9,954** |

## 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 regions.

| 1 Jan–31 Dec 2011 MEUR | Industrial & Terminal | Marine | Segments total | Eliminations and nonallocated items | Cargotec total |
|---|---|---|---|---|---|
| Finland | 50.5 | 10.8 | 61.3 | 0.0 | 61.3 |
| Other EMEA (Europe, Middle East, Africa) | 956.4 | 249.4 | 1,205.8 | -3.4 | 1,202.4 |
| China | 71.1 | 403.1 | 474.2 | 0.0 | 474.2 |
| Republic of Korea | 36.9 | 276.9 | 313.8 | - | 313.8 |
| Other Asia-Pacific | 226.8 | 216.9 | 443.6 | -0.3 | 443.3 |
| USA | 407.6 | 35.0 | 442.6 | 0.0 | 442.6 |
| Other Americas | 179.8 | 21.4 | 201.2 | - | 201.2 |
| **Total** | **1,929.0** | **1,213.4** | **3,142.4** | **-3.7** | **3,138.7** |

| 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 (Europe, Middle East, Africa) | 802.5 | 226.4 | 1,028.8 | -0.5 | 1,028.3 |
| China | 60.5 | 262.2 | 322.7 | - | 322.7 |
| Republic of 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** |

### Non-current assets *

| MEUR | 31 Dec 2011 | 31 Dec 2010 |
|---|---|---|
| Finland | 45.7 | 39.1 |
| Other EMEA (Europe, Middle East, Africa) | 238.6 | 248.7 |
| Asia-Pacific | 70.8 | 66.7 |
| Americas | 110.8 | 34.6 |
| Goodwill | 804.7 | 748.9 |
| **Total** | **1,270.6** | **1,137.8** |

* Excluding financial instruments and deferred tax assets. Goodwill has not been allocated to geographical areas.

### Capital expenditure

| MEUR | 1 Jan–31 Dec 2011 | 1 Jan–31 Dec 2010 |
|---|---|---|
| Finland | 18.5 | 8.5 |
| Other EMEA (Europe, Middle East, Africa) | 44.3 | 38.2 |
| Asia-Pacific | 8.5 | 9.4 |
| Americas | 5.4 | 4.2 |
| **Total** | **76.6** | **60.3** |

## Number of employees

| | 31 Dec 2011 | 31 Dec 2010 |
|---|---|---|
| Finland | 1,039 | 1,040 |
| Other EMEA (Europe, Middle East, Africa) | 5,421 | 5,271 |
| Asia-Pacific | 3,055 | 2,534 |
| Americas | 1,413 | 1,109 |
| **Total** | **10,928** | **9,954** |

# 5. Acquisitions and disposals

## Acquisitions 2011

### Navis

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

The acquired goodwill is primarily based on personnel and expected synergy benefits. Together Cargotec and Navis are able to offer integrated solutions enabling them a better position in delivering total solutions to customers. The goodwill is primarily tax-deductible for income tax purposes. The table below presents the consideration paid, the fair value of assets acquired and liabilities assumed for Navis at the time of acquisition.

| Acquired net assets and goodwill, MEUR | |
|---|---|
| Intangible assets | 73.0 |
| Property, plant and equipment | 0.9 |
| Deferred tax asset | 0.4 |
| Accounts receivable and other non-interest-bearing assets | 14.5 |
| Cash and cash equivalents | 0.7 |
| Accounts payable and other non-interest-bearing liabilities | -6.2 |
| **Net assets** | **83.2** |
| | |
| Purchase price, settled in cash | 131.2 |
| Purchase price, replacement award | 1.2 |
| **Total consideration** | **132.4** |
| | |
| **Goodwill** | **49.1** |
| | |
| Purchase price, settled in cash | 131.2 |
| Cash and cash equivalents acquired | -0.7 |
| **Cash flow impact** | **130.5** |

Transaction costs of EUR 1.7 million are included in the operating profit of Industrial & Terminal segment and in other operating expenses in the consolidated statement of income.

Intangible assets acquired include the fair valuation of technology EUR 8.7 million, trademark EUR 1.7 million and customer relationships EUR 62.6 million. The fair value of accounts and other receivables is EUR 14.5 million and includes accounts receivable with a fair value of EUR 12.0 million. The fair value of accounts receivable does not include any significant risk. An adjustment to fair value has been made to the deferred revenue recognised on Navis' acquisition date balance sheet when no future obligation to provide additional services exists. As the fair value of the remaining obligation is less than the book value, the re-measurement of deferred revenue decreases the post-acquisition sales and profitability of Navis by approximately EUR 10 million for slightly over one year when consolidating into Cargotec.

Cargotec was obliged to replace the share-based incentives granted by Zebra to Navis employees. The fair value of the replacement award that relates to pre-combination services has been included to the purchase price of Navis. The amount that relates to post-combination services, EUR 0.6 million, will be charged to the statement of income over the remaining vesting periods which extend to May 2014. Payments of the replacement award will be made in cash and it requires continued employment at Cargotec until the end of each vesting period.

Sales for the financial period include Navis with sales of EUR 35 million. Had the business been acquired on 1 January 2011, the increase in Cargotec's 2011 sales, including the holding period, would have been roughly EUR 45 million.

### Other acquisitions

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.

In December 2010, Cargotec became a majority shareholder in Cargotec Terminal Solutions (Malaysia) Sdn. Bhd. (former 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.

The combined purchase price allocation from these acquisitions is presented below. The allocation is calculated on the basis of the balance sheets of acquired businesses as per 1 January 2011. The goodwill arising from these acquisitions is attributable to assembled workforce and post-acquisition synergies. The goodwill is not tax-deductible for income tax purposes.

The pre-existing ownership in Cargotec Terminal Solutions (Malaysia) Sdn Bhd has been valued at fair value at the date of acquisition. The fair value was estimated by using the purchase price paid for acquisition of 19.9 percent stake in Kalmar (Malaysia) Sdn. Bhd. The revaluation result of EUR 1.6 million is included in other operative income in the consolidated statement of income.

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

| Acquired net assets and goodwill, provisional values, MEUR | |
|---|---|
| Intangible assets | 2.5 |
| Property, plant and equipment | 0.4 |
| Inventories | 0.8 |
| Loans receivables and other interest-bearing assets | 3.7 |
| Accounts receivable and other non-interest-bearing assets | 4.6 |
| Cash and cash equivalents | 0.1 |
| Advances received | -2.4 |
| Accounts payable and other non-interest-bearing liabilities | -6.7 |
| Loans | -0.2 |
| Deferred tax liabilities | -0.6 |
| **Net assets** | **2.2** |
| | |
| Cash | 0.7 |
| Contingent consideration | 0.3 |
| Fair value of equity interest held before the business combination | 2.1 |
| **Total consideration** | **3.1** |
| | |
| Non-controlling interest | 0.0 |
| **Goodwill** | **0.9** |
| | |
| Purchase price, settled in cash | 0.7 |
| Cash and cash equivalents acquired | -0.1 |
| **Cash flow impact** | **0.6** |

## 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.

## 6. Long-term construction contracts

| MEUR | 1 Jan–31 Dec 2011 | 1 Jan–31 Dec 2010 |
|---|---|---|
| Sales in statement of income, long-term construction contracts | 100.5 | 91.0 |

### Information on balance sheet items of long-term construction projects in progress at December 31 is as follows:

Amounts due from customers for contract work are included in other non-interest-bearing assets in the balance sheet.
Amounts due to customers for contract work are included in other non-interest-bearing liabilities in the balance sheet.

| 31 Dec 2011<br>MEUR | Net amount of recognised costs, profits and losses | Progress billings | Net |
|---|---|---|---|
| Amount due from customers presented as an asset | - | - | 42.0 |
| Amount due to customers presented as a liability | - | - | 16.0 |
| **Projects in progress total** | **196.9** | **170.8** | **26.0** |

| 31 Dec 2010<br>MEUR | Net amount of recognised costs, profits and losses | Progress billings | Net |
|---|---|---|---|
| Amount due from customers presented as an asset | - | - | 47.1 |
| Amount due to customers presented as a liability | - | - | 14.9 |
| **Projects in progress total** | **190.3** | **158.1** | **32.2** |

# 7. Other operating income and expenses

## Other operating income

| MEUR | 1 Jan–31 Dec 2011 | 1 Jan–31 Dec 2010 |
|---|---|---|
| Gain on disposal of intangible and tangible assets | 2.1 | 2.1 |
| Customer finance related other income | 27.7 | 25.6 |
| Rent income | 2.8 | 1.4 |
| Income from order cancellations | 3.5 | 1.1 |
| Gain on re-measuring existing interest on acquisition | 1.6 | - |
| Other income | 9.1 | 13.0 |
| **Total** | **46.9** | **43.2** |

## Other operating expenses

| MEUR | 1 Jan–31 Dec 2011 | 1 Jan–31 Dec 2010 |
|---|---|---|
| Loss on disposal of intangible and tangible assets | 0.3 | 0.2 |
| Customer finance related other expenses | 27.0 | 24.5 |
| Expenses from order cancellations | 2.7 | 5.3 |
| Acquisitions related expenses | 3.0 | - |
| Restructuring costs * | 4.9 | - |
| Other expenses | 17.1 | 16.3 |
| **Total** | **55.1** | **46.3** |

## Audit fees

| MEUR | 1 Jan–31 Dec 2011 | 1 Jan–31 Dec 2010 |
|---|---|---|
| Annual audit | 2.6 | 2.7 |
| Other statements | 0.0 | 0.0 |
| Tax advice | 0.9 | 0.9 |
| Other services | 0.3 | 0.5 |
| **Total** | **3.8** | **4.1** |

* Restructuring costs are presented in more detail in note 8, Restructuring costs

Operating profit includes exchange rate differences on forward contracts designated as cash flow hedges, total EUR 18.8 (2010: 25.6) million, of which EUR 34.2 (2010: 22.9) million in sales, EUR -14.1 (2010: -2.3) million in cost of goods sold, and the portion of ineffective hedges and released cash flow hedges related to cancelled projects, EUR -1.2 (2010: 5.0) million in other operating expenses. In addition, operating profit includes EUR 0.3 (2010: 0.8) million of exchange rate differences on derivative instruments, on which hedge accounting is not applied.

## 8. Restructuring costs

| 1 Jan–31 Dec 2011<br>MEUR | Industrial & Terminal | Marine | Other | Total |
|---|---|---|---|---|
| Employment termination costs | 2.3 | 0.1 | 0.9 | 3.2 |
| Impairment of non-current assets | 0.7 | - | - | 0.7 |
| Impairment of inventory | 0.5 | - | - | 0.5 |
| Other restructuring costs * | 1.8 | - | 0.5 | 2.3 |
| **Total** | **5.3** | **0.1** | **1.3** | **6.7** |

| **Restructuring costs by function** | |
|---|---|
| Cost of goods sold | -0.1 |
| Selling and marketing expenses | 0.5 |
| Research and development expenses | 0.3 |
| Adminstration expenses | 1.1 |
| Other operating expenses | 4.9 |
| **Total** | **6.7** |

Restructuring costs were presented in 2010 as a separate line item in the consolidated statement of income, in 2011 they are included into different functions' costs.

| 1 Jan–31 Dec 2010<br>MEUR | Industrial & Terminal | Marine | Other | Total |
|---|---|---|---|---|
| Employment termination costs | 6.0 | 0.4 | 0.0 | 6.3 |
| Impairment of non-current assets | 1.3 | 0.0 | 0.1 | 1.4 |
| Impairment of inventory | 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** |

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

Restructuring costs are recorded in the balance sheet, depending on their nature, to restructuring provision or to accruals. Part of the restructuring costs incurred has been paid before the year-end.

# 9. Personnel expenses

| MEUR | 1 Jan—31 Dec 2011 | 1 Jan—31 Dec 2010 |
|---|---|---|
| Wages and salaries | 417.4 | 362.5 |
| Equity-settled share-based payments | 1.5 | 0.8 |
| Cash-settled share-based payments | 0.0 | 0.2 |
| Pension costs * | 26.9 | 26.6 |
| Other statutory employer costs | 93.5 | 82.9 |
| **Total** | **539.3** | **473.1** |

* 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 2011 | 1 Jan–31 Dec 2010 |
|---|---|---|
| Cost of goods sold | 31.6 | 31.2 |
| Sales and marketing | 13.4 | 9.8 |
| Research and development | 4.5 | 2.7 |
| Administration | 10.3 | 10.7 |
| Other | 3.4 | 6.2 |
| **Total** | **63.3** | **60.5** |

## Depreciation and amortisation by asset type

| MEUR | 1 Jan–31 Dec 2011 | 1 Jan–31 Dec 2010 |
|---|---|---|
| Intangible assets | 16.2 | 13.6 |
| Buildings | 7.7 | 9.0 |
| Machinery & equipment | 38.7 | 37.9 |
| **Total** | **62.6** | **60.4** |

## Impairment charges by asset type

| MEUR | 1 Jan–31 Dec 2011 | 1 Jan–31 Dec 2010 |
|---|---|---|
| Goodwill | - | - |
| Other intangible assets | - | - |
| Property, plant and equipment | 0.6 | 0.1 |
| **Total** | **0.6** | **0.1** |

# 11. Financing income and expenses

## Financing income

| MEUR | 1 Jan—31 Dec 2011 | 1 Jan—31 Dec 2010 |
|---|---|---|
| Interest income on loans receivable and cash and cash equivalents | 3.0 | 2.7 |
| Forward contracts interest component | 5.6 | - |
| Other financing income | 0.7 | 0.4 |
| Dividend income on assets available for sale | 0.0 | 0.0 |
| **Total** | **9.3** | **3.1** |

## Financing expenses

| MEUR | 1 Jan—31 Dec 2011 | 1 Jan—31 Dec 2010 |
|---|---|---|
| Interest expenses on financial liabilities measured at amortised cost | 19.7 | 24.4 |
| Capitalised borrowing costs | -0.4 | -0.2 |
| Forward contracts interest component | - | 3.0 |
| Arrangement and commitment fees relating to interest-bearing loans | 0.9 | 0.8 |
| Other financing expenses | 3.3 | 1.9 |
| Exchange rate differences, net | 0.9 | 3.1 |
| **Total** | **24.4** | **33.1** |

## Exchange rate differences included in financing income and expenses

| MEUR | 1 Jan—31 Dec 2011 | 1 Jan—31 Dec 2010 |
|---|---|---|
| Exchange rate differences on interest-bearing loans and receivables | -10.4 | -49.9 |
| Exchange rate differences on derivative instruments | 9.5 | 46.7 |
| **Total** | **-0.9** | **-3.1** |

Interest expenses include EUR 0.2 (2010: 2.4) million of premium paid on corporate bond buy-back. Positive interest on cross-currency and interest rate swaps designated as cash flow hedges, totalling EUR 1.6 (2010: 2.6) million, is recorded as adjustment to interest expenses on financial liabilities at amortised cost.

# 12. Income taxes

## Taxes in statement of income

| MEUR | 1 Jan–31 Dec 2011 | 1 Jan–31 Dec 2010 |
|---|---|---|
| Current year tax expense | 60.9 | 36.9 |
| Deferred tax expense | -18.0 | -10.0 |
| Tax expense for previous years | -0.2 | -3.4 |
| **Total** | **42.7** | **23.4** |

## Reconciliation of effective tax rate

| MEUR | 1 Jan–31 Dec 2011 | 1 Jan–31 Dec 2010 |
|---|---|---|
| Income before taxes | 191.9 | 101.4 |
| Tax calculated at Finnish tax rate (26%) | 49.9 | 26.4 |
| Effect of different tax rates in foreign subsidiaries | -7.9 | 4.6 |
| Previous years' taxes | -0.2 | -3.4 |
| Tax exempt income and non-deductible expenses | -0.6 | -4.0 |
| Benefit arising from previously unrecognised tax losses and temporary differences | -0.2 | -0.1 |
| Unrecognised current year tax losses and temporary differences | 2.4 | -0.8 |
| Adjustments to previous years' deferred taxes | -3.2 | 0.9 |
| Effect of changes in tax rates | 2.5 | -0.2 |
| **Total** | **42.7** | **23.4** |
| | | |
| Effective tax rate, % | 22.2% | 23.1% |

## Taxes relating to components of other comprehensive income

| | 1 Jan–31 Dec 2011 | | | 1 Jan–31 Dec 2010 | | |
|---|---|---|---|---|---|---|
| MEUR | Before tax | Taxes | After tax | Before tax | Taxes | After tax |
| Cash flow hedges | -31.9 | 8.1 | -23.8 | 76.9 | -19.1 | 57.8 |
| Translation differences | 20.4 | -1.8 | 18.6 | 124.3 | -34.7 | 89.6 |
| **Total other comprehensive income** | **-11.5** | **6.3** | **-5.2** | **201.2** | **-53.7** | **147.5** |

## 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. Further information on the option programme is available in note 27, Share-based payments.

| | 1 Jan–31 Dec 2011 | 1 Jan–31 Dec 2010 |
|---|---|---|
| Net income attributable to the equity holders of the company, MEUR | 148.6 | 74.2 |
| Weighted average number of shares during financial period, ('000) | 61,345 | 61,345 |
| **Basic earnings per share, EUR** | **2.42** | **1.21** |

| | 1 Jan–31 Dec 2011 | 1 Jan–31 Dec 2010 |
|---|---|---|
| Net income attributable to the equity holders of the company, MEUR | 148.6 | 74.2 |
| Weighted average number of shares during financial period, ('000) | 61,345 | 61,345 |
| Effect of share options, ('000) | 34 | - |
| Diluted weighted average number of shares during financial period, ('000) | 61,380 | 61,345 |
| **Diluted earnings per share, EUR** | **2.42** | **1.21** |

# 14. Goodwill

| MEUR | 2011 | 2010 |
|---|---|---|
| Book value 1 Jan | 748.9 | 689.6 |
| Translation difference | 7.9 | 61.3 |
| Companies acquired | 50.1 | - |
| Reclassified as assets held for sale | -2.6 | - |
| Other changes | 0.5 | -2.0 |
| **Book value 31 Dec** | **804.7** | **748.9** |

## Impairment testing of goodwill

| MEUR | 31 Dec 2011 | 31 Dec 2010 |
|---|---|---|
| Industrial and Terminal | 509.7 | 456.3 |
| Marine | 295.1 | 292.6 |
| **Total** | **804.7** | **748.9** |

Goodwill is reviewed for potential impairment 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 cash generating unit level (CGU) which generates independent cash flows. These levels have been identified according to the operative business organisation to be operating segments. Due to the current way the operating segments are managed and organised, it is not possible to define independent cash flows for lower level product divisions.

The recoverable amounts of the cash generating units (CGU) are determined on the basis of value-in-use calculations. The future cash flow projections are based on the strategic forecasts approved by the Board of Directors and top management. Cash flow projections cover 5 years, of which the last year is used to define the terminal value. The fifth year is defined 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. Key factors 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 and in Marine's Offshore business the utilisation rate of factories and assembly units 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 interest rate, market risk premium, comparable peer industry beta, gearing and credit spread. The discount rate used in impairment tests has been defined similarly as for 2010. When defining the discount rate for 2011, decreases in credit spread and risk-free interest rate were compensated by an increase in market risk premium. The pre-tax discount rate (WACC) used for Industrial & Terminal is 10.1 (2010: 10.1) percent and for Marine 10.3 (2010: 9.5) percent. As a result of the impairment tests performed no impairment loss has been recognised in 2011 or in 2010.

Sensitivity analyses of the key assumptions have been prepared as part of the impairment testing process for each CGU. The key variables used in these assesment are discount rate, sales, operating profit margin and a combined effect of all these. None of the sensitity analyses performed showed need for impairment. A summary of the assumptions and the effect of changes in those are presented in the table below.

| Impact to value-in-use (reduction) | Industrial & Terminal | Marine |
|---|---|---|
| 2%-point increase in discount rate (WACC) | 19% | 18% |
| 10%-point lower sales and 2%-point lower operating profit margin | 32% | 28% |
| Simultaneous combined effect of the above mentioned changes | 44% | 41% |

To take into account the current uncertainties in the global economy an additional sensitivity analysis was performed in 2011 with 20%-point lower sales and operating profit estimate over all projected years. This sensitity analysis performed did not show need for impairment.

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

| 2011<br>MEUR | Development costs | Trademarks | Customer relationships | Patents and licences | Intangible assets under construction | Other * | Total |
|---|---|---|---|---|---|---|---|
| Acquisition cost 1 Jan | 24.5 | 44.8 | 1.3 | 28.9 | - | 44.4 | 143.9 |
| Translation difference | 0.0 | 0.3 | 6.1 | 0.3 | - | 1.5 | 8.1 |
| Additions | 1.2 | - | - | 2.1 | 7.7 | 0.1 | 11.2 |
| Disposals | -0.6 | - | - | -1.1 | - | -0.8 | -2.5 |
| Reclassification | 1.4 | - | - | 4.1 | 7.9 | -2.3 | 11.1 |
| Companies acquired | - | 1.7 | 64.3 | - | - | 9.4 | 75.5 |
| **Acquisition cost 31 Dec** | **26.6** | **46.8** | **71.7** | **34.2** | **15.6** | **52.3** | **247.2** |
| | | | | | | | |
| Accumulated amortisation and impairment 1 Jan | -5.5 | -2.6 | -0.2 | -14.5 | - | -31.3 | -54.2 |
| Translation difference | - | -0.1 | 0.0 | -0.1 | - | -0.2 | -0.5 |
| Amortisation during the financial period | -5.0 | -0.8 | -3.7 | -3.9 | - | -2.9 | -16.2 |
| Impairment charges | - | - | - | - | - | - | - |
| Disposals | 0.0 | - | - | 1.0 | - | 0.7 | 1.7 |
| Reclassification | 0.0 | - | - | - | - | -1.8 | -1.8 |
| Companies acquired | - | - | - | - | - | 0.0 | 0.0 |
| **Accumulated amortisation and impairment 31 Dec** | **-10.5** | **-3.5** | **-3.8** | **-17.5** | **-** | **-35.6** | **-70.9** |
| | | | | | | | |
| Book value 1 Jan | 19.0 | 42.2 | 1.1 | 14.4 | - | 13.0 | 89.7 |
| Book value 31 Dec | 16.0 | 43.3 | 67.9 | 16.7 | 15.6 | 16.7 | 176.2 |

| 2010<br>MEUR | Development costs | Trademarks | Customer relationships | Patents and licences | Intangible assets under construction | Other * | Total |
|---|---|---|---|---|---|---|---|
| Acquisition cost 1 Jan | 19.9 | 43.6 | 1.3 | 28.1 | - | 41.4 | 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** | **1.3** | **28.9** | **-** | **44.4** | **143.9** |
| | | | | | | | |
| Accumulated amortisation and impairment 1 Jan | -1.8 | -2.0 | 0.0 | -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 | -0.2 | -3.6 | - | -5.0 | -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 | - | - | - | - | - | - | 0.0 |
| **Accumulated amortisation and impairment 31 Dec** | **-5.5** | **-2.6** | **-0.2** | **-14.5** | **-** | **-31.3** | **-54.2** |
| | | | | | | | |
| Book value 1 Jan | 18.1 | 41.6 | 1.3 | 16.3 | - | 17.4 | 94.7 |
| Book value 31 Dec | 19.0 | 42.2 | 1.1 | 14.4 | - | 13.0 | 89.7 |

* Other intangible assets include service agreements 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 2011 to EUR 41.2 (31 Dec 2010: 41.2) 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

| 2011<br>MEUR | Land | Buildings | Machinery & equipment | Tangible assets under construction | Advance payments | Total |
|---|---|---|---|---|---|---|
| Acquisition cost 1 Jan | 14.2 | 194.1 | 466.9 | 13.6 | 0.0 | 688.8 |
| Translation difference | -0.3 | 0.3 | 2.5 | 0.2 | - | 2.7 |
| Additions | 2.1 | 2.5 | 47.4 | 14.4 | 0.1 | 66.4 |
| Disposals | 0.2 | -0.9 | -21.7 | -0.6 | - | -23.0 |
| Reclassification | 0.0 | 0.9 | 2.5 | -12.7 | 0.0 | -9.3 |
| Companies acquired | - | 0.0 | 1.4 | - | - | 1.4 |
| Transferred to disposal group held for sale | - | - | -13.0 | -0.5 | - | -13.5 |
| **Acquisition cost 31 Dec** | **16.1** | **196.8** | **486.0** | **14.5** | **0.1** | **713.5** |
| | | | | | | |
| Accumulated depreciation and impairment 1 Jan | -0.7 | -72.6 | -323.0 | - | - | -396.4 |
| Translation difference | 0.0 | -0.9 | -2.0 | - | - | -2.9 |
| Depreciation during the financial period | -0.1 | -7.9 | -40.1 | - | - | -48.1 |
| Impairment | - | -0.2 | -0.5 | - | - | -0.6 |
| Disposals | - | 0.6 | 9.7 | - | - | 10.3 |
| Reclassification | 0.0 | 0.1 | 0.0 | - | - | 0.0 |
| Companies acquired | - | - | - | - | - | 0.0 |
| Transferred to disposal group held for sale | - | - | 7.4 | - | - | 7.4 |
| **Accumulated depreciation and impairment 31 Dec** | **-0.9** | **-80.9** | **-348.4** | **-** | **-** | **-430.2** |
| | | | | | | |
| Book value 1 Jan | 13.5 | 121.4 | 143.9 | 13.6 | 0.0 | 292.4 |
| Book value 31 Dec | 15.2 | 115.9 | 137.6 | 14.5 | 0.1 | 283.4 |

| 2010<br>MEUR | Land | Buildings | Machinery & equipment | Tangible 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 | -28.1 | -28.0 | -0.7 | - | -59.9 |
| Reclassification | 1.2 | 26.5 | 5.0 | -35.6 | -2.4 | -5.3 |
| Companies acquired and sold | 0.6 | 0.0 | -2.5 | - | - | -1.9 |
| Transferred to disposal group held for sale | -0.2 | -0.2 | - | - | - | -0.4 |
| **Acquisition cost 31 Dec** | **14.2** | **194.1** | **466.9** | **13.6** | **0.0** | **688.8** |
| | | | | | | |
| 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 | 12.9 | 16.1 | - | - | 29.1 |
| Reclassification | 1.0 | -1.5 | 0.7 | - | - | 0.2 |
| Companies acquired and sold | 0.0 | 0.2 | 2.2 | - | - | 2.4 |
| Transferred to disposal group held for sale | - | - | - | - | - | - |
| **Accumulated depreciation and impairment 31 Dec** | **-0.7** | **-72.6** | **-323.0** | **-** | **-** | **-396.4** |
| | | | | | | |
| 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 |

During the year, the group had capitalized borrowing costs amounting to EUR 0.4 (2010: 0.2) million. Borrowing costs were capitalized at the weighted average rate of the group's interest cost of 3.7% (1.8%)

## Finance lease agreements

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

| 2011<br>MEUR | Buildings | Machinery & equipment | Total |
|---|---|---|---|
| Acquisition cost 1 Jan | 5.6 | 4.0 | 9.6 |
| Translation difference | 0.1 | 0.0 | 0.1 |
| Additions | 0.1 | 0.5 | 0.5 |
| Disposals | -0.3 | -0.4 | -0.7 |
| Reclassification | - | - | - |
| Companies acquired | - | - | - |
| **Acquisition cost 31 Dec** | **5.4** | **4.1** | **9.5** |
| | | | |
| Accumulated depreciation and impairment 1 Jan | -3.7 | -2.6 | -6.3 |
| Translation difference | -0.1 | 0.0 | -0.1 |
| Depreciation during the financial period | -0.3 | -0.4 | -0.7 |
| Impairment | 0.0 | - | 0.0 |
| Disposals | 0.0 | 0.2 | 0.3 |
| Companies acquired | - | - | - |
| Reclassifications | - | - | - |
| **Accumulated depreciation and impairment 31 Dec** | **-4.0** | **-2.7** | **-6.7** |
| | | | |
| Book value 1 Jan | 2.0 | 1.4 | 3.4 |
| Book value 31 Dec | 1.5 | 1.3 | 2.8 |

| 2010<br>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 | - | - | - |
| **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 | -0.2 |
| Reclassifications | - | - | - |
| **Accumulated depreciation and impairment 31 Dec** | **-3.7** | **-2.6** | **-6.3** |
| | | | |
| Book value 1 Jan | 2.7 | 1.4 | 4.2 |
| Book value 31 Dec | 2.0 | 1.4 | 3.4 |

## Customer finance agreements

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

| Machinery & equipment MEUR | 2011 | 2010 |
|---|---|---|
| Acquisition cost 1 Jan | 165.2 | 163.6 |
| Translation difference | 0.6 | 3.2 |
| Additions | 29.7 | 16.8 |
| Disposals | -11.5 | -18.0 |
| Reclassification | -0.4 | -0.5 |
| Companies acquired | 0.0 | 0.1 |
| **Acquisition cost 31 Dec** | **183.7** | **165.2** |
| | | |
| Accumulated depreciation and impairment 1 Jan | -105.6 | -96.9 |
| Translation difference | -0.4 | -2.2 |
| Depreciation during the financial period | -16.9 | -15.2 |
| Disposals | 3.1 | 8.5 |
| Reclassification | 0.3 | 0.2 |
| Companies acquired | 0.0 | 0.0 |
| **Accumulated depreciation and impairment 31 Dec** | **-119.5** | **-105.6** |
| | | |
| Book value 1 Jan | 59.6 | 66.7 |
| Book value 31 Dec | 64.2 | 59.6 |

# 17. Investments in associated companies

| MEUR | 2011 | 2010 |
|---|---|---|
| Book value 1 Jan | 5.9 | 7.1 |
| Translation difference | 0.0 | 0.0 |
| Share of net income | 0.3 | 0.5 |
| Disposals | 0.0 | -1.7 |
| Reclassification | - | - |
| **Book value 31 Dec** | **6.1** | **5.9** |

On 31 December 2011 the book value of investments in associated companies includes EUR 2.8 million goodwill. The book value of associated companies at the end of period does not include shares in publicly listed companies.

## Associated companies

| 31 Dec 2011<br>MEUR | Country | Assets | Liabilities | Sales | Net income | Shareholding (%)<br>Parent company | Shareholding (%)<br>Group |
|---|---|---|---|---|---|---|---|
| Hymetal S.A. | France | 5.0 | 3.2 | 9.0 | 0.1 | - | 40.0 |
| Montaje, Mantenimiento y Reformas de Instalaciones Portuarias, S.A. | Spain | 8.3 | 3.6 | 12.9 | 1.5 | - | 30.0 |
| Processiones, Superficiales y Aplicaciones, S.L. | Spain | 0.9 | 0.4 | 2.3 | 0.0 | - | 30.0 |
| Haida-MacGREGOR Jiangyin Sealing Co., Ltd | China | 6.7 | 1.8 | 11.9 | 0.8 | - | 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 2011, in addition to companies mentioned above, Cargotec had holdings in one associated company.

| 31 Dec 2010<br>MEUR | Country | Assets | Liabilities | Sales | Net income | Shareholding (%)<br>Parent company | Shareholding (%)<br>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.

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

# 18. Investments in joint ventures

| MEUR | 2011 | 2010 |
|---|---|---|
| Book value 1 Jan | 0.6 | 0.4 |
| Translation difference | 0.0 | 0.1 |
| Share of net income | 0.0 | 0.1 |
| Disposals | -0.1 | - |
| Reclassification | -0.5 | - |
| **Book value 31 Dec** | **0.1** | **0.6** |

The book value of joint ventures at the end of period does not include shares in publicly listed companies.

## Joint ventures

| 31 Dec 2011 MEUR | Country | Assets | Liabilities | Sales | Net income | Shareholding (%) Parent company | Shareholding (%) Group |
|---|---|---|---|---|---|---|---|
| MacGREGOR Vinashin Marine Equipment Company Limited | Vietnam | 0.2 | - | - | 0.0 | - | 49.0 |

| 31 Dec 2010 MEUR | Country | Assets | Liabilities | Sales | Net income | Shareholding (%) Parent company | Shareholding (%) 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 |

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

## 19. Non-current available-for-sale investments

| MEUR | 2011 | 2010 |
|---|---|---|
| Book value 1 Jan | 4.3 | 1.5 |
| Translation difference | 0.0 | 0.0 |
| Additions | 0.0 | 2.8 |
| Disposals | 0.0 | 0.0 |
| Reclassification | - | 0.0 |
| Companies acquired | - | - |
| **Book value 31 Dec** | **4.3** | **4.3** |

Non-current investments available-for-sale include shares of unlisted companies (mainly holiday, tennis, golf clubs or similar). Shares are valued at acquisition price, as fair values of these assets cannot be measured reliably or the fair value would not significantly differ from the acquisition price.

# 20. Deferred tax assets and liabilities

## Deferred tax assets

| MEUR | 1 Jan 2011 | Charged to the statement of income | Charged to other comprehensive income | Translation difference | Acquired/sold companies | 31 Dec 2011 |
|---|---|---|---|---|---|---|
| Tax losses carried forward | 68.8 | 3.6 | - | 0.3 | - | 72.7 |
| Provisions | 10.4 | 1.2 | - | 0.2 | - | 11.8 |
| Depreciation difference | 2.0 | 0.2 | - | 0.0 | - | 2.2 |
| Pensions | 3.4 | -1.3 | - | 0.1 | - | 2.2 |
| Elimination of intercompany profit | 8.3 | 1.3 | - | 0.0 | - | 9.6 |
| Change in fair value | 3.9 | 0.0 | -0.5 | 0.0 | - | 3.4 |
| Other temporary differences for assets | 26.5 | 14.0 | -0.5 | 1.0 | 0.5 | 41.6 |
| **Total** | **123.2** | **19.1** | **-1.0** | **1.7** | **0.5** | **143.5** |
| Offset deferred tax liabilities * | -19.6 | -2.3 | - | -0.1 | - | -21.9 |
| **Total, net** | **103.6** | **16.8** | **-1.0** | **1.6** | **0.5** | **121.6** |

## Deferred tax liabilities

| MEUR | 1 Jan 2011 | Charged to the statement of income | Charged to other comprehensive income | Translation difference | Acquired/sold companies | 31 Dec 2011 |
|---|---|---|---|---|---|---|
| Depreciation difference | 4.7 | -0.1 | - | 0.0 | - | 4.7 |
| Goodwill amortisation | 9.3 | 3.8 | - | 0.3 | - | 13.4 |
| Allocation of fair value on acquisitions | 2.5 | -0.8 | - | 0.0 | 0.6 | 2.4 |
| Research and development | 2.5 | -0.7 | - | 0.0 | - | 1.9 |
| Change in fair value | 15.8 | 0.0 | -9.1 | 0.2 | - | 6.9 |
| Other temporary differences for liabilities | 43.3 | -0.7 | 1.3 | 0.1 | 0.0 | 44.0 |
| **Total** | **78.3** | **1.6** | **-7.8** | **0.6** | **0.6** | **73.3** |
| Offset deferred tax assets * | -19.6 | -2.3 | - | -0.1 | - | -21.9 |
| **Total, net** | **58.7** | **-0.7** | **-7.8** | **0.6** | **0.6** | **51.4** |

## Deferred tax assets

| MEUR | 1 Jan 2010 | Charged to the statement of income | Charged to other comprehensive income | 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 |
| Elimination of intercompany profit | 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 | 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 | 3.6 | -0.9 | - | 0.4 | -0.6 | 2.5 |
| 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 | 21.7 | -4.3 | 24.6 | 1.3 | - | 43.3 |
| **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 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 2011 Cargotec had EUR 39.2 (31 Dec 2010: 31.4) 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 14.6 (31 Dec 2010: 16.7) million will expire during the next five years and the rest EUR 24.7 (31 Dec 2010: 14.7) 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 2011 | 31 Dec 2010 |
|---|---|---|
| Raw materials and supplies | 261.3 | 214.5 |
| Work in progress | 345.0 | 294.4 |
| Finished goods | 202.7 | 159.3 |
| Advance payments paid for inventories | 12.3 | 10.6 |
| **Total** | **821.3** | **678.8** |

Obsolescence allowances of inventories to net realisable value were EUR 79.2 (31 Dec 2010: 76.0) million during the period.

# 22. Financial instruments by category

## Book value by category of financial assets

| 31 Dec 2011<br>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 | 8.4 | - | - | 8.4 |
| Available-for-sale investments | - | 4.3 | - | 4.3 |
| Derivative assets | - | - | 38.2 | 38.2 |
| Other non-interest-bearing receivables | 4.7 | - | - | 4.7 |
| **Total** | **13.1** | **4.3** | **38.2** | **55.6** |
| | | | | |
| **Current financial assets** | | | | |
| Loans receivable | 1.1 | - | - | 1.1 |
| Derivative assets | - | - | 22.9 | 22.9 |
| Accounts receivable and other non-interest-bearing receivables | 517.4 | - | - | 517.4 |
| Cash and cash equivalents | 203.7 | - | - | 203.7 |
| **Total** | **722.2** | **-** | **22.9** | **745.1** |
| | | | | |
| **Total financial assets** | **735.3** | **4.3** | **61.1** | **800.7** |

| 31 Dec 2010<br>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** |

## Book value by category of financial liabilities

| 31 Dec 2011<br>MEUR | Financial liabilities at amortised cost | Liabilities at fair value through the statement of income, derivatives | Total |
|---|---|---|---|
| **Non-current financial liabilities** | | | |
| Interest-bearing liabilities | 420.5 | - | 420.5 |
| Derivative liabilities | - | 16.0 | 16.0 |
| Other non-interest-bearing liabilities | 15.3 | - | 15.3 |
| **Total** | **435.7** | **16.0** | **451.7** |
| | | | |
| **Current financial liabilities** | | | |
| Interest-bearing liabilities | 97.9 | - | 97.9 |
| Derivative liabilities | - | 23.2 | 23.2 |
| Accounts payable and other non-interest-bearing liabilities | 371.5 | - | 371.5 |
| **Total** | **469.4** | **23.2** | **492.6** |
| | | | |
| **Total financial liabilities** | **905.1** | **39.2** | **944.3** |

| 31 Dec 2010<br>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** |

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 2011 | 31 Dec 2010 |
|---|---|---|
| Non-current non-interest-bearing assets | 4.7 | 5.1 |

## Current receivables

| MEUR | 31 Dec 2011 | 31 Dec 2010 |
|---|---|---|
| Accounts receivable | 460.9 | 384.3 |
| Receivables from construction contracts | 42.0 | 47.1 |
| Deferred interests | 4.7 | 4.6 |
| Other deferred assets | 91.1 | 110.3 |
| **Total** | **598.7** | **546.3** |

The company has impaired EUR 17.8 (31 Dec 2010: 19.8) million for doubtful accounts from accounts receivable.

## Ageing analysis of accounts receivable

| MEUR | 31 Dec 2011 | 31 Dec 2010 |
|---|---|---|
| Not due | 319.6 | 270.7 |
| 1−90 days overdue | 116.5 | 89.9 |
| 91−360 days overdue | 20.9 | 19.1 |
| Over 360 days overdue | 3.9 | 4.7 |
| **Total** | **460.9** | **384.3** |

## Impairments, classified into ageing analysis of accounts receivable

| MEUR | 31 Dec 2011 | 31 Dec 2010 |
|---|---|---|
| 1−90 days overdue | 0.5 | 0.5 |
| 91−360 days overdue | 6.2 | 7.3 |
| Over 360 days overdue | 11.2 | 11.9 |
| **Total** | **17.8** | **19.8** |

## 24. Cash and cash equivalents

| MEUR | 31 Dec 2011 | 31 Dec 2010 |
|---|---|---|
| Cash at bank and on hand | 122.4 | 155.2 |
| Short-term deposits | 81.4 | 162.4 |
| **Total** | **203.7** | **317.7** |

### Cash and cash equivalents in the statement of cash flows

| MEUR | 31 Dec 2011 | 31 Dec 2010 |
|---|---|---|
| Cash and cash equivalents | 203.7 | 317.7 |
| Bank overdrafts used | -3.3 | -14.1 |
| **Cash and cash equivalents in the statement of cash flows** | **200.4** | **303.6** |

## 25. Non-current assets held for sale

The assets and liabilities related to component manufacturing operations in Narva, Estonia belonging in Industrial & Terminal segment have been presented as held for sale following the letter of intent Cargotec has signed to develop a long-term sourcing partnership and to sell the business to Komas. The planned transaction was finalised in February 2012.

Re-measuring the assets held for sale at the lower of its carrying amount and fair value less costs to sell resulted in an impairment of EUR 0.5 million, which has been recognised in other operating expenses.

The assets recognised as held for sale in 2010 have been sold and the profit of EUR 1.3 million has been recognised in other operating income. The profit after taxes amounted to EUR 1.0 million.

**Assets of disposal groud classified as held for sale**

| MEUR | 31 Dec 2011 | 31 Dec 2010 |
|---|---|---|
| Goodwill | 2.1 | - |
| Property, plant and equipment | 6.0 | 0.4 |
| Inventory | 5.3 | - |
| **Total** | **13.4** | **0.4** |

**Liabilities of disposal groud classified as held for sale**

| MEUR | 31 Dec 2011 | 31 Dec 2010 |
|---|---|---|
| Other non-interest-bearing liabilities | 0.2 | - |
| **Total** | **0.2** | **-** |

# 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 (1.9.2006) 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 intercompany loan agreements that form part of a net investment are recognized in translation differences under equity. Fair value reserve includes 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 is recorded in retained earnings.

## Shares and share capital

According to Cargotec's Articles of Association, the company's share capital is divided into class A and class B shares. 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 2011, Cargotec held 2,959,487 (31 Dec 2010: 2,959,487) class B shares as treasury shares. During the current financial period and previous period no own shares were purchased. Board authorizations 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 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** |
| | | | |
| Number of shares 1 Jan 2011 | 9,526,089 | 54,778,791 | 64,304,880 |
| **Number of shares 31 Dec 2011** | **9,526,089** | **54,778,791** | **64,304,880** |
| | | | |
| Treasury shares 31 Dec 2011 | - | -2,959,487 | -2,959,487 |
| **Number of shares outstanding 31 Dec 2011** | **9,526,089** | **51,819,304** | **61,345,393** |

## Dividend distribution

After 31 December 2011 the following dividends were proposed by the Board of Directors to be paid: EUR 0.99 per each class A share and EUR 1.00 per each class B share in circulation, a total of EUR 61,250,132.11.

# 27. Share-based payments

### Share-based incentive programme 2007-2010

In January 2007 Cargotec published a share-based incentive programme for 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 total of 31,356 class B shares were rewarded for the achievement of the targets in earnings period 2007–2008. The criteria set for the second earnings period (2009) was not met and no payments were made in 2010. In March 2010, Cargotec's Board of Directors decided that the remaining earnings periods (2010 and 2011) are cancelled.

### 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 decides on the target group, earnings criteria and 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 after the end of each earnings period, by the end of April. If the reward holder's employment terminates before the payment, the participant will lose the right to the reward. In the spring of 2011, the Board of Directors decided to alter the terms of the share-based incentive programme and removed from the terms the restriction to transfer the shares within two years from after the end of the earnings period. In this way, the programme’s duration for each earnings period was shortened from five to three years. The programme’s first two earnings periods cover the twelve members of Cargotec’s Executive Board.

Earnings criteria for the earnings period 2010–2012 comprise Cargotec's operating profit margin and sales for the fiscal year 2012. The reward granted for this earnings period by the end of 2011 is 47,000 (31 Dec 2010: 47,000) Cargotec class B shares. The fair value of the share at the grant date 9 March 2010 was determined to EUR 18.15. As the 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.

Earnings criteria for the earnings period 2011–2013 comprise Cargotec's operating profit margin and sales for the fiscal year 2013. The reward granted for this earnings period by the end of 2011 is 52,500 Cargotec class B shares. The fair value of the share at the grant date 26 May 2011 was determined to EUR 30.64. As the 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 34.78.

Fair value of the cash settlement 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

In March 2010, Cargotec Corporaton's Annual General Meeting decided that stock options will be issued to the key personnel of Cargotec and its subsidiaries as part of Cargotec's rewarding and engagement system. Stock options 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 class B shares of Cargotec, either new or treasury shares held by the company. 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 with the symbol 2010B and 400,000 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 financial performance criterion determined by the Board of Directors annually. Those stock options, for which the targets have not been attained, will expire. If the stock option holder's employment terminates in Cargotec and the last employment date is before the share subscription period has begun, the participant will lose the right to the options.

The share subscription period with the stock options 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

From the share subscription price of the stock options, shall be deducted the amount of dividend or 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.The share subscription price with the stock options are:
- for stock option 2010A the original subscription price is EUR 21.35 and the subsricption price adjusted with 2010 dividend is EUR 20.74
- for stock option 2010B EUR 31.23
- for stock option 30:30 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.

The fair value of the stock option has been determined using the Black-Scholes option pricing model. The key assumptions used to determine the fair value for the option granted in financial periods 2010 and 2011 are listed in the table below:

| | 2010B | 2010A |
|---|---|---|
| Class B share value at grant, EUR | 35.60 | 20.34 |
| Original subscription price, EUR | 31.23 | 21.35 |
| Expected volatility, % | 48.99 | 48.40 |
| Vesting period at grant, years | 4.93 | 5.12 |
| Riskt-free interest rate, % | 2.56 | 2.12 |
| Expected dividends, EUR | - | - |
| Fair value of the option, EUR | 17.42 | 8.82 |

## Changes in the number of stock options outstanding

| | 2010A | 2005B |
|---|---|---|
| Number of stock options outstanding 1 Jan | - | 359,500 |
| Granted stock options | 367,700 | - |
| Forfeited stock options | 3,500 | - |
| Exercised stock options | - | - |
| Expired stock options | 335,064 | - |
| **Number of stock options outstanding 31 Dec** | **29,136** | **359,500** |
| Exercisable stock options 31 Dec | - | - |
| Participants covered by the option prorgamme 31 Dec | 73 | 52 |

The operating profit target for 2010 having been fullfilled, share subscription will begin in April 2013 covering all 359,500 2010A stock options issued, as per the terms and conditions of the option programme. The earnings criteria for 2010B stock options is operating profit for the fiscal year 2011 in a range of EUR 205–230 million. The number of shares offered for subscription will be defined linearly within the range, up to the upper limit of EUR 230 million. With operating profit of EUR 207 million entered for 2011, share subscription will begin with 29,136 2010B stock options in April 2014, as per the terms and conditions of the option programme.

Information on share-based payments recognised as expense in the statement of income is presented in note 9, Personnel expenses. The liability booked for the cash settlement is EUR 0.3 (31 Dec 2010: 0.4) million.

# 28. Interest-bearing liabilities

## Book value of interest-bearing liabilities

| MEUR | 31 Dec 2011 | 31 Dec 2010 |
|---|---|---|
| **Non-current** | | |
| Loans from financial institutions | 187.3 | 155.7 |
| Corporate bonds | 231.5 | 246.2 |
| Finance lease liabilities | 1.7 | 1.8 |
| **Total** | **420.5** | **403.8** |
| | | |
| **Current portion of long-term loans** | | |
| Loans from financial institutions | 38.3 | 40.4 |
| Corporate bonds | 12.2 | - |
| Finance lease liabilities | 0.7 | 0.7 |
| **Total** | **51.2** | **41.1** |
| | | |
| **Current** | | |
| Loans from financial institutions | 43.4 | 41.3 |
| Bank overdrafts used | 3.3 | 14.1 |
| **Total** | **46.7** | **55.4** |
| | | |
| **Total interest-bearing liabilities** | **518.3** | **500.3** |

On 31 December 2011, 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 3.7 (31 Dec 2010: 3.6) percent. The average interest rate of short-term loans was 4.0 (31 Dec 2010: 3.7) 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 2011 | Coupon rate, % | Nominal value | Fair value, MEUR | Book value, MEUR |
|---|---|---|---|---|
| 2005–2012 | 3.8 | 12.2 MEUR | 12.3 | 12.2 |
| 2007–2014 | 5.4 | 95.0 MUSD | 80.7 | 73.3 |
| 2007–2017 | 5.6 | 120.0 MUSD | 112.8 | 92.6 |
| 2007–2019 | 5.7 | 85.0 MUSD | 83.8 | 65.6 |

| 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 |

## Interest-bearing liabilities per currency

| MEUR | 31 Dec 2011 | 31 Dec 2010 |
|---|---|---|
| USD * | 252.6 | 225.0 |
| EUR | 239.0 | 223.8 |
| CNY | 25.1 | 40.6 |
| Other | 1.6 | 10.9 |
| **Total** | **518.3** | **500.3** |

* 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 2011 | 31 Dec 2010 |
|---|---|---|
| Minimum lease payments | | |
| Less than 1 year | 0.8 | 0.7 |
| 1–5 years | 1.3 | 1.5 |
| Over 5 years | 0.7 | 0.9 |
| **Total** | **2.8** | **3.1** |
| Future finance charges | -0.5 | -0.6 |
| **Present value of finance lease liabilities** | **2.3** | **2.5** |

### Present value of minimum lease payments

| MEUR | 31 Dec 2011 | 31 Dec 2010 |
|---|---|---|
| Less than 1 year | 0.7 | 0.7 |
| 1–5 years | 1.0 | 1.1 |
| Over 5 years | 0.6 | 0.7 |
| **Present value of finance lease liabilities** | **2.3** | **2.5** |

# 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.

The main countries having defined benefit plans are Sweden, UK, Japan and Norway. The most significant plans are in Sweden. Defined benefit pension plans are funded by the relevant group companies to satisfy local statutory funding requirements.

## Amounts recognised in statement of financial position

| | Defined benefit plans | |
|---|---|---|
| MEUR | 31 Dec 2011 | 31 Dec 2010 |
| Present value of unfunded obligations | 50.1 | 38.8 |
| Present value of funded obligations | 35.6 | 33.4 |
| Fair value of benefit plans' assets | -27.0 | -24.6 |
| Unrecognised actuarial gains (+) /losses (-) | -13.0 | -2.7 |
| Unrecognised past service costs | -0.1 | 0.4 |
| **Total amount recognised in the balance sheet** | **45.6** | **45.2** |

## Movement in the benefit obligation

| | Defined benefit plans | |
|---|---|---|
| MEUR | 2011 | 2010 |
| Benefit obligation 1 Jan | 72.1 | 69.5 |
| Current service costs | 3.5 | 6.1 |
| Interest costs | 3.1 | 3.0 |
| Employer contribution | 0.0 | 0.7 |
| Net actuarial gains (-)/losses (+) recognised | 3.8 | -0.7 |
| Translation difference | 6.5 | -1.0 |
| Past service costs | 0.0 | 0.5 |
| Benefits paid | -3.2 | -5.4 |
| Settlements | 0.0 | -0.2 |
| Curtailments | -0.1 | -0.3 |
| **Benefit obligation 31 Dec** | **85.7** | **72.1** |

## Movement in the fair value of plan assets

| | Defined benefit plans | |
|---|---|---|
| MEUR | 2011 | 2010 |
| Plan assets 1 Jan | 24.6 | 24.2 |
| Expected return on plans assets | 1.1 | 1.5 |
| Net actuarial gains (+)/losses (-) recognised | -0.3 | 0.8 |
| Translation difference | 1.4 | -2.5 |
| Employer contribution | 1.2 | 1.5 |
| Employee contribution | 0.0 | 0.1 |
| Benefits paid | -1.1 | -0.9 |
| Settlements | 0.0 | 0.0 |
| **Plan assets 31 Dec** | **27.0** | **24.6** |

## Pensions recognised in statement of income

| MEUR | 1 Jan–31 Dec 2011 | 1 Jan–31 Dec 2010 |
|---|---|---|
| Defined contribution pension plans | 21.3 | 18.8 |
| Defined benefit pension plans | 5.6 | 7.8 |
| Other post-employment benefits | - | - |
| **Total** | **26.9** | **26.6** |

## Defined benefit plans

| MEUR | 1 Jan–31 Dec 2011 | 1 Jan–31 Dec 2010 |
|---|---|---|
| Current service costs | 3.5 | 6.1 |
| Interest costs | 3.1 | 3.0 |
| Expected return on plan assets | -1.1 | -1.5 |
| Net actuarial gains (-)/losses (+) recognised | 0.3 | 0.3 |
| Past-service costs | 0.0 | 0.2 |
| Gains/loss curtailments | -0.1 | -0.3 |
| **Total** | **5.6** | **7.8** |

## Defined benefit plans: Assumptions used in calculating benefit obligations

| | 2011 | | | 2010 | | |
|---|---|---|---|---|---|---|
| MEUR | Sweden | Other Europe | Japan | Sweden | Other Europe | Japan |
| Discount rate, % | 3.8 | 3.3-5.75 | 1.8 | 4.0 | 3.2–5.3 | 1.5 |
| Expected return on plan assets, % | 4.0 | 2.0-2.5 | - | 4.0 | 4.0–5.4 | - |
| Future salary increase, % | 3.5 | 2.0-4.0 | 3.0 | 2.6 | 2.0–4.0 | 3.0 |
| Future pension increase, % | 2.7 | 0.7-3.4 | - | 2.0 | 0.5–4.0 | - |

## 30. Provisions

| 2011<br>MEUR | Provision for warranty | Provision for claims | Provision for restructuring | Provision for loss contracts | Other provisions | Total |
|---|---|---|---|---|---|---|
| Total provision 1 Jan | 53.8 | 2.6 | 9.1 | 12.9 | 11.6 | 89.9 |
| Translation difference | 0.9 | 0.1 | 0.0 | 0.1 | 0.0 | 1.0 |
| Increase | 47.0 | 2.5 | 3.1 | 9.1 | 0.8 | 62.4 |
| Provision used | -21.1 | -1.4 | -3.4 | -7.4 | -10.1 | -43.4 |
| Reversal of provision | -5.5 | -0.8 | -0.2 | -0.6 | 0.0 | -7.1 |
| Companies acquired/sold | - | - | - | - | - | - |
| **Total provision 31 Dec** | **75.0** | **2.9** | **8.6** | **14.1** | **2.2** | **102.9** |

| 2010<br>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** |

| MEUR | 31 Dec 2011 | 31 Dec 2010 |
|---|---|---|
| Non-current provisions | 33.4 | 24.9 |
| Current provisions | 69.4 | 65.1 |
| **Total** | **102.9** | **89.9** |

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, Critical accounting estimates and judgements requiring management estimation.

# 31. Accounts payable and other non-interest-bearing liabilities

## Non-current liabilities

| MEUR | 31 Dec 2011 | 31 Dec 2010 |
|---|---|---|
| Other non-interest-bearing liabilities | 15.3 | 33.7 |

## Current liabilities

| MEUR | 31 Dec 2011 | 31 Dec 2010 |
|---|---|---|
| Accounts payable | 342.2 | 308.2 |
| Accrued interests | 14.9 | 14.8 |
| Share-based incentives | 1.4 | 0.3 |
| Accrued salaries, wages and employment costs | 89.7 | 83.4 |
| Advance rents, customer finance | 27.5 | 22.8 |
| Amount due to customers for contract work | 16.0 | 14.9 |
| Project costs | 110.2 | 100.6 |
| Other accrued expenses | 125.2 | 97.9 |
| **Total** | **727.0** | **642.8** |

# 32. Commitments

| MEUR | 31 Dec 2011 | 31 Dec 2010 |
|---|---|---|
| Guarantees | - | 0.5 |
| End customer financing | 10.0 | 8.9 |
| Operating leases | 74.9 | 69.5 |
| Other contingent liabilities | 3.2 | 3.5 |
| **Total** | **88.1** | **82.3** |

Cargotec Corporation has guaranteed obligations of Cargotec companies, arising from ordinary course of business, up to a maximum of EUR 470.3 (31 Dec 2010: 474.4) million.

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

### The future minimum lease payments under non-cancellable operating leases

| MEUR | 31 Dec 2011 | 31 Dec 2010 |
|---|---|---|
| Less than 1 year | 21.2 | 16.1 |
| 1–5 years | 36.1 | 34.3 |
| Over 5 years | 17.5 | 19.1 |
| **Total** | **74.9** | **69.5** |

The aggregate operating lease expenses totaled EUR 24.5 (2010: 17.7) million.

### Contingent liabilities

During the second quarter, Cargotec Finland Oy received an action brought against the co-operation procedure at Salo factory in 2008. Cargotec finds the action unfounded and inappropriate, denies non-compliance and has made no provision relating to the action

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 2011<br>MEUR | Positive fair value | Negative fair value | Net fair value |
|---|---|---|---|
| FX forward contracts | 38.7 | 39.2 | -0.5 |
| Cross currency and interest rate swaps | 22.5 | - | 22.5 |
| **Total** | **61.1** | **39.2** | **21.9** |
| | | | |
| Non-current portion | | | |
| FX forward contracts | 15.7 | 16.0 | -0.2 |
| Cross currency and interest rate swaps | 22.5 | - | 22.5 |
| **Non-current portion** | **38.2** | **16.0** | **22.2** |
| | | | |
| **Current portion** | **22.9** | **23.2** | **-0.3** |

| 31 Dec 2010<br>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** |

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 2011 | 31 Dec 2010 |
|---|---|---|
| FX forward contracts | 4,054.0 | 3,017.3 |
| Cross currency and interest rate swaps | 231.9 | 225.7 |
| **Total** | **4,285.9** | **3,243.0** |

## 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 2011 | 31 Dec 2010 |
|---|---|---|
| Less than 1 year | 13.7 | 12.2 |
| 1−5 years | 17.6 | 15.2 |
| Over 5 years | 8.3 | 2.3 |
| **Total** | **39.6** | **29.7** |

Rent income recognised in sales was EUR 14.8 (2010: 17.5) 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 2011<br>MEUR | Associated companies | Joint ventures | Total |
|---|---|---|---|
| Sale of products | 5.4 | - | 5.4 |
| Sale of services | 1.3 | - | 1.3 |
| Purchase of products | 2.6 | - | 2.6 |
| Purchase of services | 8.4 | - | 8.4 |

| 1 Jan–31 Dec 2010<br>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 |

## Balances with associated companies and joint ventures

| 31 Dec 2011<br>MEUR | Associated companies | Joint ventures | Total |
|---|---|---|---|
| Accounts receivable | 1.6 | - | 1.6 |
| Accounts payable | 2.6 | - | 2.6 |

| 31 Dec 2010<br>MEUR | Associated companies | Joint ventures | Total |
|---|---|---|---|
| Accounts receivable | 0.3 | 0.4 | 0.7 |
| Accounts payable | 2.5 | 0.0 | 2.5 |

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

## Key management compensation

| MEUR | 1 Jan–31 Dec 2011 | 1 Jan–31 Dec 2010 |
|---|---|---|
| Wages and salaries | 5.5 | 4.9 |
| Share-based incentive scheme | 0.6 | 0.5 |
| Post-employment benefits | 0.0 | 0.1 |
| **Total** | **6.1** | **5.6** |

Key management consist of the Board of Directors and the Executive Board. Members of the Executive Board are part of the share-based incentive programme as well as option programme targeted for key personnel. Based on the share-based incentive programme 2010 the rewards to be paid from 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) and from earnings period 2011−2013 to a maximum total of 105,000 Cargotec class B shares (including the proportion to be paid in cash). Additionally, based on the option programme 2010, members of the Executive Board were granted 110,000 2010A option rights and 112,000 2010B 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 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.

31 Dec 2011, the loans Cargotec has granted to Moving Cargo Oy for financing an incentive program for the top management totaled EUR 3.5 million (31 Dec 2010: EUR 3.5 million). EUR 0.5 million of these loans is a non-interest-bearing convertible bond loan. The Euribor 12 months interest rate applicable for both the EUR 1.0 (31 Dec 2010: 1.0) million subordinated loan and EUR 2.0 (31 Dec 2010: 2.0) million loan was 1.51% (2010:1.25%). Maturity date for all these loans is 31 March 2012. The EUR 0.5 million convertible bond loan and EUR 1.0 million subordinated loan are unsecured, and for EUR 2.0 million loan Cargotec shares are used as a guarantee. Shareholders of Moving Cargo Oy include members of Cargotec's Executive Board. Cargotec has granted no other special advantages nor made other special arrangements with the related parties.

## Salaries and remunerations paid

| 1,000 EUR | | 1 Jan—31 Dec 2011 | 1 Jan—31 Dec 2010 |
|---|---|---|---|
| Mikael Mäkinen | President and CEO | 1,045.7 | 716.0 |
| Pekka Vauramo | Deputy to CEO | 601.7 | 498.0 |
| Ilkka Herlin | Chairman of the Board | 91.7 | 89.7 |
| Tapio Hakakari | Deputy Chairman of the Board | 63.7 | 62.7 |
| Peter Immonen | Member of the Board | 48.0 | 47.5 |
| Karri Kaitue | Member of the Board | 48.0 | 46.5 |
| Antti Lagerroos | Member of the Board | 48.0 | 47.5 |
| Teuvo Salminen | Member of the Board (as of 5 Mar 2010) | 48.0 | 38.3 |
| Anja Silvennoinen | Member of the Board | 48.0 | 46.5 |

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 2011 | 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 Carribbean 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 Croatia 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 | 100 |
| Zepro Danmark A/S | Denmark | | 100 |
| Cargotec Estonia AS | Estonia | 100 | 100 |
| MacGREGOR BLRT Baltic OÜ | Estonia | | 51 |
| 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 |
| Kiinteistöosakeyhtiö Ruskontie 55 | Finland | | 100 |
| Oy Sisu Ab | Finland | 100 | 100 |
| Cargotec France SAS | France | 100 | 100 |
| Societe Immobiliere Mavivray S.a.r.l. | France | | 100 |
| SRMP - Societe Reunionaise de Maintenance Portuaire | France | | 51 |
| Cargotec Germany Gmbh | Germany | | 100 |
| Conver Ingenieur Technik GmbH | Germany | | 100 |
| Cargotec Marine GmbH | Germany | | 100 |
| MacGREGOR Beteiligungs GmbH | Germany | | 100 |
| Zepro Hebebühnen GmbH | Germany | | 100 |
| Cargotec Greece Ltd | 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 |
| Navis India Technologies Private Limited | India | | 100 |
| PT MacGREGOR Plimsoll Indonesia | Indonesia | | 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 |
| Cargotech Holdings Japan Ltd | Japan | | 100 |
| Cargotec Japan Ltd. | Japan | | 100 |
| MacGREGOR BLRT Baltic UAB | Lithuania | | 51 |
| Cargotec Luxembourg S.a.r.l. | Luxembourg | | 100 |

| | | | |
|---|---|---|---|
| Bromma (Malaysia) Sdn. Bhd. | Malaysia | | 100 |
| Hiab Sdn Bhd | Malaysia | | 100 |
| MacGREGOR Plimsoll Sdn Bhd | Malaysia | | 100 |
| Cargotec Terminal Solutions (Malaysia) Sdn Bhd | Malaysia | | 70 |
| Cargotec de México, 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 SA | Morocco | | 100 |
| Cargotec New Zealand Ltd | New Zealand | | 100 |
| Cargotec Holding Norway AS | Norway | 100 | 100 |
| Cargotec Norway AS | Norway | | 100 |
| Cargotec Panama S.A. | Panama | | 100 |
| Cargotec Poland Sp. Z.o.o. | Poland | | 100 |
| MacGREGOR Navire P Equipamentos Portuários e Para Construcão Naval Unipessoal, Lda. | Portugal | | 100 |
| Cargotec Qatar W.L.L. | Qatar | | 49 * |
| Cargotec Korea Limited | Republic of Korea | | 100 |
| Cargotec RUS LLC | Russia | | 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 SA | 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 |
| Cargotec Sweden Bulk Handling AB | Sweden | | 100 |
| Koffert Sverige AB | Sweden | | 100 |
| Zeteco AB | Sweden | | 100 |
| Z-Lyften Produktion AB | Sweden | | 100 |
| Cargotec Swizerland S.A. | Switzerland | | 100 |
| Cargotec Sweden AB, 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 BV | 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 |
| Navis Holding LLC | USA | | 100 |
| Navis International LLC | USA | | 100 |
| Navis International, Inc. | USA | | 100 |
| Navis LLC | USA | | 100 |

| | | |
|---|---|---|
| Waltco Lift Corp. | USA | 100 |

* Cargotec has control of the company based on the shareholders' agreement and thus subsidiary is fully consolidated

# 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 2011 | 1 Jan–31 Dec 2010 |
|---|---|---|---|
| **Sales** | | **108.5** | **84.6** |
| Administration expenses | 2, 3, 4 | -118.5 | -96.4 |
| Other operating income | | 0.3 | 0.1 |
| Other operating expenses | | - | - |
| **Operating profit** | | **-9.6** | **-11.7** |
| Financing income and expenses | 5 | -24.3 | 66.3 |
| **Income before appropriations and taxes** | | **-33.9** | **54.5** |
| Income taxes | 6 | 2.6 | -4.6 |
| **Net income for the period** | | **-31.3** | **49.9** |

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

## Parent company balance sheet

| MEUR | Note | 31 Dec 2011 | 31 Dec 2010 |
|---|---|---|---|
| **ASSETS** | | | |
| | | | |
| **Non-current assets** | | | |
| Intangible assets | 7 | 17.9 | 15.1 |
| Tangible assets | 8 | 0.9 | 1.0 |
| Investments | 9 | | |
| Investments in subsidiaries | | 1,670.2 | 1,529.6 |
| Investments in associated companies and joint ventures | | - | - |
| Other investments | | 3.9 | 3.9 |
| **Total non-current assets** | | **1,692.9** | **1,549.7** |
| | | | |
| **Current assets** | | | |
| Non-current receivables | 10, 16 | 631.1 | 407.1 |
| Current receivables | 11, 16 | 467.4 | 646.8 |
| Cash and cash equivalents | | 122.5 | 242.9 |
| **Total current assets** | | **1,221.1** | **1,296.7** |
| | | | |
| **Total assets** | | **2,914.0** | **2,846.4** |

| MEUR | | 31 Dec 2011 | 31 Dec 2010 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| | | | |
| **Equity** | | | |
| Share capital | | 64.3 | 64.3 |
| Share premium account | | 98.0 | 98.0 |
| Fair value reserves | | 12.3 | 10.8 |
| Retained earnings | | 863.3 | 850.7 |
| Net income for the period | | -31.3 | 49.9 |
| **Total equity** | 12 | **1,006.6** | **1,073.7** |
| | | | |
| **Liabilities** | | | |
| Non-current liabilities | 13, 16 | 468.7 | 449.1 |
| Current liabilities | 14, 16 | 1,438.6 | 1,323.5 |
| **Total liabilities** | | **1,907.4** | **1,772.7** |
| | | | |
| **Total equity and liabilities** | | **2,914.0** | **2,846.4** |

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

# Parent company cash flow statement

| MEUR | 1 Jan—31 Dec 2011 | 1 Jan—31 Dec 2010 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Operating profit | -9.6 | -11.7 |
| Adjustments to the operating profit for the period | 3.5 | 3.0 |
| Change in working capital | 2.9 | 10.7 |
| Interest paid | -37.0 | -30.8 |
| Interest received | 23.3 | 20.8 |
| Taxes paid | -0.2 | - |
| Derivatives | 10.8 | 43.2 |
| **Cash flow from operating activities** | **-6.4** | **35.1** |
| | | |
| **Cash flow from investing activities** | | |
| Investments in tangible and intangible assets | -6.2 | -9.2 |
| Acquisitions of subsidiaries and other companies | -158.1 | -17.6 |
| Proceeds from sales of tangible and intangible assets | - | - |
| Proceeds from sales of subsidiaries and other companies | - | 1.4 |
| **Cash flow from investing activities** | **-164.3** | **-25.4** |
| | | |
| **Cash flow from financing activities** | | |
| Proceeds from share subscriptions | - | - |
| Increase in loans receivable | -380.8 | -466.9 |
| Disbursement of loans receivable | 387.0 | 961.8 |
| Proceeds from short-term borrowings | 483.7 | 900.6 |
| Repayments of short-term borrowings | -421.9 | -1,242.8 |
| Proceeds from long-term borrowings | 119.9 | - |
| Repayments of long-term borrowings | -100.3 | -101.8 |
| Dividends paid | -37.3 | -24.4 |
| **Cash flow from financing activities** | **50.3** | **26.4** |
| | | |
| **Change in cash and cash equivalents** | -120.4 | 36.1 |
| Cash and cash equivalents 1 Jan | 242.9 | 206.8 |
| **Cash and cash equivalents 31 Dec** | **122.5** | **242.9** |
| | | |
| **Change in working capital** | | |
| Change in non-interest-bearing receivables | 4.8 | 15.7 |
| Change in non-interest-bearing payables | -1.8 | -5.0 |
| **Change in working capital** | **2.9** | **10.7** |

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 internal 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 includes taxes based on taxable income for the period according to Finnish tax legislation.

### 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 and interest rate 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 and annual 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, minus 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 Sept. 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.

## 2. Personnel expenses

| MEUR | 1 Jan–31 Dec 2011 | 1 Jan–31 Dec 2010 |
|---|---|---|
| Wages and salaries | 18.3 | 16.6 |
| Pension costs | 2.9 | 2.4 |
| Other statutory employer costs | 0.9 | 1.1 |
| **Total** | **22.1** | **20.0** |

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

### Average number of employees

| | 1 Jan–31 Dec 2011 | 1 Jan–31 Dec 2010 |
|---|---|---|
| Administrative employees | 210 | 190 |

### Key management compensation

The salaries and remunerations including fringe benefits paid to members of the Board during the financial period totalled EUR 0.4 (2010: 0.4) million.

The salaries and remunerations including fringe benefits paid to the President and CEO, and the deputy to CEO during the financial period totalled EUR 1.6 (2010: 1.2) 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 in the consolidated financial statements.

## 3. Depreciation, amortisation and impairment charges

| MEUR | 1 Jan–31 Dec 2011 | 1 Jan–31 Dec 2010 |
|---|---|---|
| **Planned depreciation and amortisation** | | |
| Intangible rights | 1.0 | 0.6 |
| Other capitalised expenditure | 2.3 | 2.1 |
| Buildings | 0.0 | 0.0 |
| Machinery and equipment | 0.2 | 0.2 |
| Other tangible assets | 0.0 | 0.0 |
| **Total** | **3.5** | **3.0** |

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 2011 | 1 Jan–31 Dec 2010 |
|---|---|---|
| Annual audit | 0.6 | 0.4 |
| Tax advice | - | 0.0 |
| Other services | 0.3 | 0.1 |
| **Total** | **1.0** | **0.5** |

## 5. Financing income and expenses

| MEUR | 1 Jan–31 Dec 2011 | 1 Jan–31 Dec 2010 |
|---|---|---|
| **Interest income** | | |
| From group companies | 23.3 | 19.6 |
| From third parties | 2.5 | 14.2 |
| **Total** | **25.8** | **33.8** |
| | | |
| **Other financing income** | | |
| From group companies | 1.4 | 1.6 |
| | | |
| Exchange rate differences | 3.2 | 37.1 |
| | | |
| **Interest expenses** | | |
| From group companies | -19.0 | -7.6 |
| From third parties | -16.2 | -33.6 |
| **Total** | **-35.1** | **-41.1** |
| | | |
| **Other financing expenses** | | |
| Other financing expenses from third parties | -2.1 | -1.9 |
| | | |
| Impairments/ Reversals of impairments of investments in subsidiaries | -17.5 | 36.7 |
| | | |
| **Total financing income and expenses** | **-24.3** | **66.3** |

## 6. Income taxes

| MEUR | 1 Jan–31 Dec 2011 | 1 Jan–31 Dec 2010 |
|---|---|---|
| Current year tax expense | -0.2 | - |
| Change in deferred tax asset | 2.9 | 4.6 |
| **Total** | **2.6** | **4.6** |

## 7. Intangible assets

| MEUR | Intangible rights | Other capitalised expenditure | Fixed assets under construction | Total |
|---|---|---|---|---|
| Acquisition cost 1 Jan 2011 | 2.7 | 10.9 | 5.6 | 19.2 |
| Additions | 0.9 | 0.0 | 5.1 | 6.1 |
| **Acquisition cost 31 Dec 2011** | **3.6** | **10.9** | **10.7** | **25.2** |
| | | | | |
| Accumulated amortisation 1 Jan 2011 | 0.9 | 3.1 | - | 4.1 |
| Amortisation during the period | 1.0 | 2.3 | - | 3.3 |
| Accumulated amortisation 31 Dec 2011 | 1.9 | 5.4 | - | 7.3 |
| **Book value on 31 Dec 2011** | **1.7** | **5.5** | **10.7** | **17.9** |
| | | | | |
| Acquisition cost 1 Jan 2010 | 1.4 | 5.8 | 2.9 | 10.1 |
| Additions | 0.8 | 4.0 | 4.2 | 9.1 |
| Disposals | 0.5 | 1.1 | -1.6 | - |
| **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 31 Dec 2010** | **1.8** | **7.8** | **5.6** | **15.1** |

## 8. Tangible assets

| MEUR | Land | Buildings | Machinery & equipment | Other tangible assets | Total |
|---|---|---|---|---|---|
| Acquisition cost on 1 Jan 2011 | 0.4 | 0.4 | 0.8 | 0.1 | 1.7 |
| Additions | - | - | 0.1 | - | 0.1 |
| **Acquisition cost on 31 Dec 2011** | **0.4** | **0.4** | **0.9** | **0.1** | **1.8** |
| | | | | | |
| Accumulated depreciation on 1 Jan 2011 | - | 0.1 | 0.5 | 0.1 | 0.7 |
| Depreciation during the period | - | 0.0 | 0.2 | 0.0 | 0.2 |
| Accumulated depreciation on 31 Dec 2011 | - | 0.1 | 0.7 | 0.1 | 0.9 |
| **Book value on 31 Dec 2011** | **0.4** | **0.3** | **0.2** | **0.0** | **0.9** |
| | | | | | |
| 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** |

# 9. Investments

| MEUR | 2011 | 2010 |
|---|---|---|
| **Subsidiaries** | | |
| Acquisition cost 1 Jan | 1,620.7 | 1,605.9 |
| Accumulated impairments 1 Jan | -91.1 | -127.8 |
| Additions | 158.1 | 14.8 |
| Disposals | - | - |
| Impairments/Reversals of impairments | -17.5 | 36.7 |
| **Book value 31 Dec** | **1,670.2** | **1,529.6** |

| MEUR | 2011 | 2010 |
|---|---|---|
| **Associated companies** | | |
| Acquisition cost 1 Jan | - | 1.4 |
| Disposals | - | -1.4 |
| **Book value 31 Dec** | **-** | **-** |

| MEUR | 2011 | 2010 |
|---|---|---|
| **Other shares** | | |
| Acquisition cost 1 Jan | 3.9 | 1.1 |
| Additions | - | 2.8 |
| **Book value 31 Dec** | **3.9** | **3.9** |

Subsidiary companies' full name, country of domicile and parent company's shareholding are disclosed in note 36, Subsidiaries in the consolidated financial statements

## 10. Non-current receivables

| MEUR | 31 Dec 2011 | 31 Dec 2010 |
|---|---|---|
| Loans receivable from group companies | 581.9 | 368.9 |
| Derivative assets | 22.5 | 13.4 |
| Deferred tax asset | 20.5 | 17.6 |
| Loan receivables from others | 6.3 | 7.2 |
| **Total** | **631.1** | **407.1** |

## 11. Current receivables

| MEUR | 31 Dec 2011 | 31 Dec 2010 |
|---|---|---|
| **From group companies** | | |
| Accounts receivable | 6.3 | 12.6 |
| Derivative assets | 47.0 | 13.4 |
| Loans receivable | 362.4 | 580.7 |
| Deferred assets | 6.6 | 3.9 |
| **Total** | **422.3** | **610.6** |
| | | |
| **From third parties** | | |
| Accounts receivable | 0.1 | 0.0 |
| Derivative assets | 36.8 | 29.5 |
| Deferred assets | 8.1 | 6.7 |
| **Total** | **45.1** | **36.2** |
| | | |
| **Total current receivables** | **467.4** | **646.8** |

# 12. Equity

| MEUR | 2011 | 2010 |
|---|---|---|
| **Restricted equity** | | |
| Share capital 1 Jan | 64.3 | 64.3 |
| Share subscriptions with options | - | - |
| **Share capital 31 Dec** | **64.3** | **64.3** |
| Share premium account 1 Jan | 98.0 | 98.0 |
| Share subscriptions with options | - | - |
| **Share premium account 31 Dec** | **98.0** | **98.0** |
| Fair value reserves 1 Jan | 10.8 | 5.6 |
| Cash flow hedges | 1.7 | 7.0 |
| Change in deferred taxes | -0.2 | -1.8 |
| **Fair value reserve 31 Dec** | **12.3** | **10.8** |
| **Total restricted equity** | **174.6** | **173.1** |
| **Non-restricted equity** | | |
| Retained earnings 1 Jan | 900.6 | 875.1 |
| Treasury shares disposed | - | - |
| Dividends paid | -37.3 | -24.4 |
| **Retained earnings 31 Dec** | **863.3** | **850.7** |
| Net income for the period | -31.3 | 49.9 |
| **Non-restricted equity** | **832.0** | **900.6** |
| **Total equity** | **1,006.6** | **1,073.7** |
| **Distributable equity** | **832.0** | **900.6** |

## 13. Non-current liabilities

| MEUR | 31 Dec 2011 | 31 Dec 2010 |
|---|---|---|
| Corporate bonds | 231.5 | 246.2 |
| Loans from group companies | 50.0 | 50.0 |
| Loans from financial institutions | 183.3 | 149.1 |
| Deferred tax liability | 4.0 | 3.8 |
| Derivative liabilities | - | - |
| **Total non-current liabilities** | **468.8** | **449.1** |

### Maturity after 5 years

| MEUR | 31 Dec 2011 | 31 Dec 2010 |
|---|---|---|
| Corporate bonds | 158.1 | 153.1 |
| Loans from financial institutions | 119.8 | 2.5 |
| **Total** | **278.0** | **155.6** |

## 14. Current liabilities

| MEUR | 31 Dec 2011 | 31 Dec 2010 |
|---|---|---|
| **To group companies** | | |
| Accounts payable | 2.7 | 2.3 |
| Derivative liabilities | 31.8 | 15.2 |
| Loans from group companies | 1,289.4 | 1,210.6 |
| Accruals | 1.6 | 3.4 |
| **Total** | **1,325.5** | **1,231.5** |
| | | |
| **To third parties** | | |
| Loans from financial institutions | 47.9 | 40.3 |
| Bank overdrafts used | 0.1 | 2.7 |
| Accounts payable | 4.9 | 5.4 |
| Derivative liabilities | 37.8 | 21.6 |
| Accruals | 22.4 | 22.0 |
| **Total** | **113.1** | **92.0** |
| | | |
| **Total current liabilities** | **1,438.6** | **1,323.5** |

### Accruals

| MEUR | 31 Dec 2011 | 31 Dec 2010 |
|---|---|---|
| Accrued salaries, wages and employment costs | 5.1 | 5.2 |
| Accrued interests | 15.6 | 15.4 |
| Other accruals | 3.2 | 4.9 |
| **Total** | **23.9** | **25.5** |

## 15. Commitments

| MEUR | 31 Dec 2011 | 31 Dec 2010 |
|---|---|---|
| **Security for guarantees** | | |
| Guarantees given on behalf of group companies | 470.3 | 474.4 |
| Guarantees given on behalf of associated companies | - | - |
| Guarantees given on behalf of others | - | 0.5 |
| **Total** | **470.3** | **474.9** |
| | | |
| **Contingencies** | | |
| Rental commitments given on behalf of others | 3.0 | 3.2 |
| | | |
| **Leasing commitments** | | |
| Maturity within the next financial period | 0.4 | 0.4 |
| Maturity after next financial period | 0.6 | 0.4 |
| **Total** | **4.1** | **3.9** |

# 16. Derivatives

## Fair values of derivative financial instruments

| 31 Dec 2011<br>MEUR | Positive fair value | Negative fair value | Net fair value |
|---|---|---|---|
| Intra group FX forward contracts | 47.0 | 31.8 | 15.1 |
| FX forward contracts | 36.8 | 37.8 | -1.0 |
| Cross currency and interest rate swaps | 22.5 | - | 22.5 |
| **Total** | **106.3** | **69.7** | **36.6** |

| 31 Dec 2010<br>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 | - | 13.4 |
| **Total** | **56.2** | **36.8** | **19.4** |

## Nominal values of derivative financial instruments

| MEUR | 31 Dec 2011 | 31 Dec 2010 |
|---|---|---|
| Intra group FX forward contracts | 2,381.2 | 825.1 |
| FX forward contracts | 3,897.4 | 1,891.9 |
| Cross currency and interest rate swaps | 231.9 | 225.7 |
| **Total** | **6,510.5** | **2,942.7** |

# Key figures

**Contents**

# Key figures

## Key financial figures

| Consolidated statement of income | | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|---|
| Sales | MEUR | 3,139 | 2,575 | 2,581 | 3,399 | 3,018 |
| Exports from and sales outside Finland | MEUR | 3,078 | 2,516 | 2,530 | 3,280 | 2,919 |
| Operating profit | MEUR | 207 | 131 | 0 | 174 | 203 |
| % of sales | % | 6.6 | 5.1 | 0.0 | 5.1 | 6.7 |
| Operating profit from operations | MEUR | 207 | 142 [1] | 61 [1] | 193 [1] | 221 [2] |
| % of sales | % | 6.6 | 5.5 [1] | 2.4 [1] | 5.7 [1] | 7.3 [2] |
| Income before taxes | MEUR | 192 | 101 | -27 | 145 | 184 |
| % of sales | % | 6.1 | 3.9 | -1.0 | 13.5 | 6.1 |
| Net income for the period | MEUR | 149 | 78 | 7 | 121 | 138 |
| % of sales | % | 4.8 | 3.0 | 0.3 | 3.6 | 4.6 |

| Other key figures | | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|---|
| Wages and salaries | MEUR | 419 | 364 | 351 | 387 | 353 |
| Depreciation, amortisation and impairment | MEUR | 63 | 60 | 60 | 60 | 60 |
| Capital expenditure in intangible assets and property, plant and equipment | MEUR | 47 | 44 | 88 | 77 | 53 |
| Capital expenditure in customer financing | MEUR | 30 | 16 | 19 | 36 | 38 |
| Total % of sales | % | 2.4 | 2.3 | 4.1 | 3.3 | 3.0 |
| Research and development costs | MEUR | 60 | 37 | 37 | 47 | 46 |
| % of sales | % | 1.9 | 1.4 | 1.4 | 1.4 | 1.5 |
| Equity | MEUR | 1,177 | 1,069 | 881 | 864 | 897 |
| Total assets | MEUR | 3,120 | 2,916 | 2,687 | 3,039 | 2,583 |
| Interest-bearing net debt [3] | MEUR | 299 | 171 | 335 | 478 | 326 |
| Return on equity | % | 13.3 | 8.0 | 0.8 | 13.7 | 15.6 |
| Return on capital employed | % | 13.3 | 8.6 | 0.2 | 12.7 | 16.8 |
| Total equity/total assets | % | 43.3 | 42.7 | 37.5 | 33.0 | 38.3 |
| Gearing [3] | % | 25.4 | 16.0 | 38.0 | 55.3 | 36.3 |
| Orders received | MEUR | 3,233 | 2,729 | 1,828 | 3,769 | 4,106 |
| Order book | MEUR | 2,426 | 2,356 | 2,149 | 3,054 | 2,865 |
| Average number of employees | | 10,692 | 9,673 | 10,785 | 11,777 | 10,276 |
| Number of employees 31 Dec | | 10,928 | 9,954 | 9,606 | 11,826 | 11,187 |
| Dividends | MEUR | 61 [4] | 37 | 24 | 37 | 65 |

1 Excluding restructuring costs

2 Excluding a one-off cost related to a container spreader inspection and repair program

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

4 Board's proposal

# Share-related key figures

| | | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|---|
| Earnings per share | | | | | | |
| Basic earnings per share | EUR | 2.42 | 1.21 | 0.05 | 1.91 | 2.17 |
| Diluted earnings per share | EUR | 2.42 | 1.21 | 0.05 | 1.91 | 2.16 |
| Equity per share | EUR | 19.12 | 17.37 | 14.20 | 13.95 | 14.29 |
| Dividend per class B share | EUR | 1.00 [4] | 0.61 | 0.40 | 0.60 | 1.05 |
| Dividend per class A share | EUR | 0.99 [4] | 0.60 | 0.39 | 0.59 | 1.04 |
| Dividend per earnings, class B share | % | 41.3 [4] | 50.4 | 782.8 | 31.4 | 48.4 |
| Dividend per earnings, class A share | % | 40.9 [4] | 49.6 | 763.2 | 30.8 | 47.9 |
| Effective dividend yield, class B share | % | 4.4 [4] | 1.6 | 2.1 | 7.4 | 3.3 |
| Price per earnings, class B share | EUR | 9.5 | 32.3 | 377.9 | 13.5 | 14.6 |
| Development of share price, class B share | | | | | | |
| Average share price | EUR | 26.79 | 26.08 | 11.55 | 21.47 | 40.55 |
| Highest share price | EUR | 39.60 | 39.37 | 19.31 | 36.49 | 49.83 |
| Lowest share price | EUR | 16.35 | 19.16 | 6.37 | 7.63 | 29.78 |
| Closing price at the end of period | EUR | 22.98 | 39.03 | 19.31 | 8.09 | 31.65 |
| Market capitalisation 31 Dec [1] | MEUR | 1,410 | 2,390 | 1,183 | 495 | 1,971 |
| Market capitalisation of class B shares 31 Dec [2] | MEUR | 1,191 | 2,023 | 1,001 | 419 | 1,671 |
| Trading volume, number of class B shares traded (On NASDAQ OMX Helsinki Ltd.) | ('000) | 58,290 | 47,097 | 54,782 | 85,697 | 70,945 |
| Trading volume, number of class B shares traded (On NASDAQ OMX Helsinki Ltd.) | % | 98.5 | 84.2 | 92.2 | 156.6 | 130.0 |
| 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 | 51,819 | 51,812 | 52,367 | 53,439 |
| Number of class B shares 31 Dec [2] | ('000) | 51,819 | 51,819 | 51,819 | 51,787 | 52,790 |
| Diluted weighted average number of class B shares [2] | ('000) | 51,819 | 51,819 | 51,812 | 52,456 | 53,669 |

Trading information is based on NASDAQ OMX Helsinki Ltd statistics

1 Including class A and B shares, excluding treasury shares
2 Excluding treasury shares
3 No dilution on class A shares
4 Board's proposal

# Calculation of key figures

| | | |
|---|---|---|
| Return on equity (%) | = | $100 \times \frac{\text{Net income for period}}{\text{Total equity (average for period)}}$ |
| Return on capital employed (%) | = | $100 \times \frac{\text{Income before taxes + interest and other financing expenses}}{\text{Total assets - non-interest-bearing debt (average for period)}}$ |
| Total equity / total assets (%) | = | $100 \times \frac{\text{Total equity}}{\text{Total assets - advances received}}$ |
| Gearing (%) | = | $100 \times \frac{\text{Interest-bearing debt*- interest-bearing assets}}{\text{Total equity}}$ |
| Basic earnings / share | = | $\frac{\text{Net income attributable to the equity holders of the company}}{\text{Share issue adjusted weighted average number of shares during period (excluding treasury shares)}}$ |
| Equity / share | = | $\frac{\text{Total equity attributable to the equity holders of the company}}{\text{Share issue adjusted number of shares at the end of period (excluding treasury shares)}}$ |
| Dividend / share | = | $\frac{\text{Dividend for financial period}}{\text{Share issue adjusted number of shares at the end of period (excluding treasury shares)}}$ |
| Dividend / earnings (%) | = | $100 \times \frac{\text{Dividend for financial period / share}}{\text{Basic earnings / share}}$ |
| Effective dividend yield (%) | = | $100 \times \frac{\text{Dividend / share}}{\text{Share issue adjusted closing price for the class B share at the end of period}}$ |
| Price / earnings (P/E) | = | $\frac{\text{Share issue adjusted closing price for the class B share at the end of period}}{\text{Basic earnings / share}}$ |
| Average share price | = | $\frac{\text{EUR amount traded during period for the class B share}}{\text{Share issue adjusted number of class B shares traded during period}}$ |
| Market capitalisation at the end of period | = | Number of class B shares outstanding at the end of period * 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 (%) | = | $100 \times \frac{\text{Number of class B shares traded during period}}{\text{Average weighted number of class B shares during period}}$ |

* 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 2007–2011, EUR

| | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| Basic earnings per share | 2.42 | 1.21 | 0.05 | 1.91 | 2.17 |
| Equity per share | 19.12 | 17.37 | 14.20 | 13.95 | 14.29 |
| Dividend per class B share | 1.00* | 0.61 | 0.40 | 0.60 | 1.05 |
| Dividend per class A share | 0.99* | 0.60 | 0.39 | 0.59 | 1.04 |
| Effective divided yield, class B share, % | 4.4* | 1.6 | 2.1 | 7.4 | 3.3 |
| Price per earnings, class B share | 9.5 | 32.3 | 377.9 | 13.5 | 14.6 |
| Development of share price, class B share | | | | | |
| Average price | 26.79 | 26.08 | 11.55 | 21.47 | 40.55 |
| Highest price | 39.60 | 39.37 | 19.31 | 36.49 | 49.83 |
| Lowest price | 16.35 | 19.16 | 6.37 | 7.63 | 29.78 |
| Closing price | 22.98 | 39.03 | 19.31 | 8.09 | 31.65 |

*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 15,002,008 at the end of 2011.

There were no changes in Cargotec Corporation's share capital in 2011. On 31 December 2011, 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.

## Dividend distribution

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.

## Dividend proposal

The Board of Directors proposes to the Annual General Meeting (AGM), that of the distributable profit, a dividend of EUR 0.99 for each class A shares and EUR 1.00 for each class B shares be paid for the financial year 2011.

## Treasury shares

Cargotec held 2,959,487 own class B shares, accounting for 4.60 percent of the share capital and 1.97 percent of the total voting right of all shares, at the end of 2011. The shares were repurchased in 2005–2008. The number of issued class B shares, excluding treasury shares held by the company, totalled 51,819,304.

The 2011 AGM authorised the Board to decide on the repurchase of own shares and the Board decided to exercise the authorisation. However, no own shares were repurchased in 2011.

# Share price development and trading

Cargotec's class B share price fell in 2011 from EUR 39.03 to EUR 22.98 on NASDAQ OMX Helsinki Ltd. Over the same period, the OMX Helsinki Benchmark Cap Index fell by 26 percent.

At the end of 2011, 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 1,191 (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 1,410 (2,390) million, excluding treasury shares held by the company.

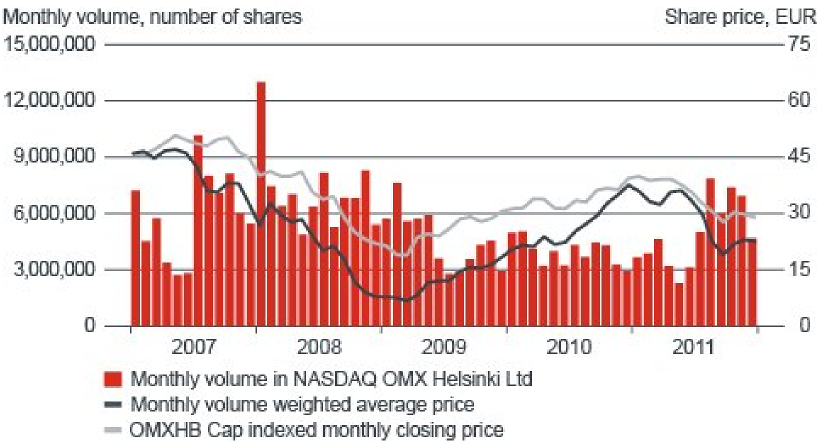
### Market capitalisation, class B shares


Class B share closed at EUR 22.98 on NASDAQ OMX Helsinki Ltd. on the last trading day of 2011. The highest quotation for 2011 was EUR 39.60 (39.37) and the lowest EUR 16.35 (19.16). The volume weighted average price for the financial period was EUR 26.79 (26.08).

During 2011, a total of 58 (47) million class B shares were traded on NASDAQ OMX Helsinki Ltd., corresponding to a turnover of EUR 1,564 (1,226) million. The average daily trading volume of class B shares 230,397 (186,891) shares or EUR 6,182,769 (4,864,852) million.

In 2011, in addition to NASDAQ OMX Helsinki Ltd., a total of 45 (35) million class B shares were traded on several alternative market places, corresponding to a turnover of EUR 1,205 (886) million. Shares were mainly traded in Chi-X and BATS Europe.

### Share price and volume




Information on the Cargotec class B share price is available on Cargotec's website [www.cargotec.com/investors](www.cargotec.com/investors).

# Shareholders

At the end of 2011, Cargotec had approximately 21,000 (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 8,500,096 (12,831,581) nominee-registered shares, representing 13.22 (19.95) percent of the total number of shares, which corresponds to 5.67 (8.55) percent of all votes.

A monthly updated list of major shareholders is available on Cargotec's website at www.cargotec.com/investors.

## Major shareholders on 31 December 2011

| Shareholder | Class A shares | Class B shares | Shares total | Shares, % | Votes | Votes, % |
|---|---|---|---|---|---|---|
| 1 Ownership of Ilkka Herlin, total | 2,940,067 | 5,002,784 | 7,942,851 | 12.35 | 3,440,345 | 22.93 |
| Wipunen varainhallinta oy | 2,940,067 | 5,000,000 | 7,940,067 | 12.35 | 3,440,067 | 22.93 |
| Herlin Ilkka | | 2,784 | 2,784 | 0.00 | 278 | 0.00 |
| 2 Mariatorp Oy (in Niklas Herlin's controlling power) | 2,940,067 | 4,900,000 | 7,840,067 | 12.19 | 3,430,067 | 22.86 |
| 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 Ilmarinen Mutual Pension Insurance Company | | 2,224,223 | 2,224,223 | 3.46 | 222,422 | 1.48 |
| 7 Kone Foundation | 705,888 | 1,232,454 | 1,938,342 | 3.01 | 829,133 | 5.53 |
| 8 Varma Mutual Pension Insurance Company | | 1,416,098 | 1,416,098 | 2.20 | 141,609 | 0.94 |
| 9 Tapiola Mutual Pension Insurance Company | | 608,865 | 608,865 | 0.95 | 60,886 | 0.41 |
| 10 Nordea Suomi Fund | | 470,500 | 470,500 | 0.73 | 47,050 | 0.31 |
| 11 The State Pension Fund | | 426,000 | 426,000 | 0.66 | 42,600 | 0.28 |
| 12 Herlin Heikki | | 400,000 | 400,000 | 0.62 | 40,000 | 0.27 |
| 13 OP-Delta Fund | | 360,000 | 360,000 | 0.60 | 36,000 | 0.24 |
| 14 OP-Suomi Arvo Fund | | 340,000 | 340,000 | 0.53 | 34,000 | 0.23 |
| 15 Fondita Nordic Small Cap Fund | | 290,000 | 290,000 | 0.45 | 29,000 | 0.19 |
| 16 Nurminen Hanna | | 270,268 | 270,268 | 0.42 | 27,026 | 0.18 |
| 17 Moving Cargo Oy | | 226,694 | 226,694 | 0.35 | 22,669 | 0.15 |
| 18 Gyllenberg Finlandia Fund | | 203,000 | 203,000 | 0.32 | 20,300 | 0.14 |
| 19 Nordea Nordic Small Cap Fund | | 202,800 | 202,800 | 0.32 | 20,280 | 0.14 |
| 20 Fennia Life Insurance Company | | 186,014 | 186,014 | 0.29 | 18,601 | 0.12 |
| **Total** | **9,526,089** | **28,592,527** | **38,118,616** | **59.31** | **12,385,337** | **82.56** |
| | | | | | | |
| Nominee registered | | | 8,500,096 | | | |
| Other owners | | | 17,686,168 | | | |
| **Total number of shares issued on 31 Dec 2011** | | | **64,304,880** | | | |

Based on ownership records of the Euroclear Finland Ltd.

## Breakdown of share ownership on 31 December 2011

| Number of shares | Number of shareholders | % of shareholders | Total shares | % of total number of shares and share capital |
|---|---|---|---|---|
| 1–100 | 8,130 | 38.91 | 478,733 | 0.74 |
| 101–500 | 8,556 | 40.95 | 2,253,905 | 3.51 |
| 501–1,000 | 2,102 | 10.06 | 1,619,507 | 2.52 |
| 1,001–10,000 | 1,884 | 9.02 | 5,118,719 | 7.96 |
| 10,001–100,000 | 174 | 0.83 | 5,053,493 | 7.86 |
| 100,001–1,000,000 | 36 | 0.17 | 7,368,450 | 11.46 |
| over 1,000,000 | 10 | 0.05 | 39,447,195 | 61.34 |
| **Total** | **20,892** | **100.00** | **61,340,002** | **95.39** |
| of which nominee registered | 12 | | 8,500,096 | 13.22 |
| In the joint book-entry account | | | 5,391 | 0.01 |
| **Number of shares outstanding 31 Dec 2011** | | | **61,345,393** | **95.40** |
| Treasury shares on 31 Dec 2011 | 1 | | 2,959,487 | 4.60 |
| **Total number of shares on 31 Dec 2011** | | | **64,304,880** | **100.00** |

Based on ownership records of Euroclear Finland Ltd.

### Breakdown by shareholder category on 31 December 2011


* Ownership information includes shares owned directly as well as through companies under controlling power

Based on ownership records of the Euroclear Finland Ltd.

# Board and management shareholding

On 31 December 2011, 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 5,471,704 class B shares, which corresponded to 13.08 percent of the total number of all class A and class B shares and 23.25 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, and for the earnings period 2011–2012 32,000 class B shares. Based on the option programme, they have been allocated 30,000 2010A stock options and 32,000 2010B 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 2011 Annual General Meeting authorised the Board of Directors to decide on the repurchase 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. This authorisation was not exercised during the financial period.

In addition, the AGM authorised the Board of Directors 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 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 2010 Annual General Meeting confirmed that stock options will be issued to the key personnel of Cargotec and its subsidiaries. The Board decides on the target group, earnings criteria and option issuance on an annual basis, in the spring of the years 2010 (2010A stock options), 2011 (2010B stock options) and 2012 (2010C stock options). The maximum total number of stock options issued will be 1,200,000 which 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 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.

| Stock options | Subscription period | Subscription price | Subscription price deducted with dividends paid |
|---|---|---|---|
| 2010A | 1 April 2013–30 April 2015 | 21.35 | 20.74 |
| 2010B | 1 April 2014–30 April 2016 | 31.23 | |
| 2010C | 1 April 2015–30 April 2017 | * | |

*Subscription price will be determined after the 2012 AGM

In spring 2011, the Board of Directors decided to issue 2010B stock options to around 80 persons, including members of Cargotec's Executive Board. In line with the Board's decision, should the operating profit for 2011 range between EUR 205–230 million, the number of shares offered for subscription will be defined linearly, up to EUR 230 million in operating profit. With operating profit of EUR 207 million entered for 2011, share subscription will begin with 29,136 2010B stock options in April 2014, as per the terms and conditions of the option programme. The share subscription price for stock option 2010B is EUR 31.23/share. Dividends will be deducted from the share subscription price each year.

More information on stock options is available in the Remuneration statement 2011 and 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, which will commence in 2010, 2011 and 2012. The Board of Directors will decide on the target group, earnings criteria and the targets to be established for them, as well as the maximum amount of reward payable for each earnings period. The earning criteria for the earnings period 2010–2012 comprise Cargotec's operating profit margin and sales for the fiscal year 2012. For the second earnings period 2011–2013, the earnings criteria are the operating profit margin and sales for the fiscal year 2013. Rewards to be paid on the basis of the earnings period 2010–2012 and 2011–2013 will correspond to a maximum total of 200,000 Cargotec class B shares (including the proportion to be paid in cash). The programme's two earnings periods cover the members of Cargotec Executive Board.

More information about the incentive programme is available in the Remuneration statement 2011 and on Cargotec's website www.cargotec.com/investors.

# Signatures for Board of Directors' report and financial statements

Helsinki, 7 February 2012

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, 7 February 2012

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, 2011. 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 or 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, 7 February, 2012

PricewaterhouseCoopers Oy
Authorised Public Accountants

Jouko Malinen
Authorised Public Accountant

Johan Kronberg
Authorised Public Accountant

# Investor information

Cargotec's class B shares are quoted on the NASDAQ OMX Large Cap list of Helsinki Stock Exchange under symbol CGCBV. The company also has unlisted A shares. The accounting par value of a share is one (1) euro. Each class A share has one vote and each complete lot of ten class B shares has one vote in the Shareholders' Meeting, with the provision that each shareholder is entitled to at least one vote.

## 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.

## Investor relations activities in 2011

During 2011, Cargotec conducted around 130 IR meetings. The interest towards Cargotec remained on the healthy 2010 level. The IR team, consisting of Cargotec's President and CEO, CFO and IR Director, conducted meetings in Finland, Sweden, Norway, the UK, France, Germany, the Netherlands as well as on the east coast of the USA. In addition to one-on-one meetings, several group meetings were hosted at Cargotec's offices. The IR team also gave presentations at a number of investor seminars for institutional investors in Finland and abroad and in Investment Evenings for domestic private investors, organised by the Finnish Foundation for Share Promotion, in three cities in Finland. Cargotec's Capital Markets Day, held in November in Helsinki, was attended by more than 40 institutional investors, analysts and bankers.

## Silent period

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.

## Disclosure policy

Cargotec is committed to communicating actively and openly with all stakeholders irrespective of whether the information is positive or negative for the company. All communications are performed in a transparent, credible, proactive and consistent manner. The aim is to provide reliable and timely information in support of a fair valuation of the company's shares.

Cargotec's information disclosure as a Finnish listed company is regulated by the Finnish and EU legislation as well as rules, standards and recommendations of NASDAQ OMX Helsinki Ltd., the Finnish Financial Supervision Authority and company's corporate governance principles. Cargotec adheres to all this regulation in its communications.

Cargotec disclosure policy is approved by the Board of Directors and it describes Cargotec's main principles for disclosing price sensitive information to the company's stakeholders and communicating with the capital markets.

## Market estimates

Cargotec will review, upon request, analysts' reports or models for factual accuracy on the basis of information that is public. However, 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.

## Financial reporting in 2012

- 7 February 2012: Financial statements review 2011
- Week 7: Annual report 2011
- 26 April 2012: January–March 2012 interim report
- 19 July 2012: January–June 2012 interim report
- 25 October 2012: January–September 2012 interim report

## 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 they can be ordered to be sent by e-mail. 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 or by telephone from +358 20 777 4105.

## Changes in addresses

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

## Contacts

### Cargotec Investor Relations
ir(at)cargotec.com

**Paula Liimatta**, IR Director
Tel. +358 20 777 4084
paula.liimatta(at)cargotec.com

### Meeting requests
**Tiina Aaltonen**, Executive Assistant
Tel. +358 20 777 4105
tiina.aaltonen(at)cargotec.com

# Stock Exchange releases 2011

**30 Nov 2011**
Cargotec signs a letter of intent with Komas to develop a long-term sourcing partnership

**28 Nov 2011**
Cargotec wins a large contract for Siwertell ship unloaders from Morocco

**27 Oct 2011**
Correction to Cargotec's January-September 2011 interim report

**27 Oct 2011**
Cargotec to change operating model to accelerate strategy implementation

**27 Oct 2011**
Cargotec's January-September 2011 interim report: Third quarter orders grew 19 percent and profitability improved

**19 Oct 2011**
Cargotec receives EUR 25 million order for MacGregor cargo handling cranes from China

**14 Oct 2011**
Cargotec wins major port automation contract in Los Angeles, USA

**13 Oct 2011**
Cargotec wins a significant material handling equipment frame agreement from U.S. Department of Defense

**13 Oct 2011**
Cargotec's Financial Information in 2012

**11 Oct 2011**
Cargotec's January-September 2011 interim report to be published on Thursday, 27 October 2011

**4 Oct 2011**
Cargotec to partner with DP World in port automation project for London Gateway

**27 Sep 2011**
Foundation stone of Cargotec's Technology and Competence Centre to be laid in Tampere - total investment 35 million

**26 Sep 2011**
Cargotec wins a large West Africa ship-to-shore crane contract

**19 Sep 2011**
Cargotec secures EUR 25 million of orders for MacGregor hatch covers and lashing systems from South Korea

**19 Sep 2011**
Cargotec receives over EUR 20 million order for MacGregor cargo handling cranes from South Korea

**25 Jul 2011**
Cargotec to establish a joint venture with Jiangsu Rainbow Heavy Industries Co., Ltd. to strengthen presence in China

**21 Jul 2011**
Cargotec's January-June 2011 interim report: Second quarter sales grew 25 percent

**5 Jul 2011**
Cargotec's January-June 2011 interim report to be published on Thursday 21 July 2011

**27 Jun 2011**
Cargotec to deliver MacGregor RoRo equipment worth more than EUR 20 million to South Korean shipyard

**28 Apr 2011**
Cargotec's January-March 2011 interim report: Order intake continued strong and sales grew 37 percent

**8 Apr 2011**
Cargotec's January-March 2011 interim report to be published on Thursday 28 April 2011

**6 Apr 2011**
Share subscription price and market value of Cargotec Corporation stock options 2010B

**21 Mar 2011**
Cargotec completes acquisition of the US-based terminal operating system provider Navis

**9 Mar 2011**
Cargotec has secured orders worth more than EUR 20 million for MacGregor cranes and hatch covers for general cargo ships

**8 Mar 2011**
Cargotec to start share repurchases

**8 Mar 2011**
Cargotec Board of Directors' organising meeting

**8 Mar 2011**
Decisions taken at Cargotec Corporation's Annual General Meeting

**10 Feb 2011**
Cargotec's year 2010 Annual report and Financial statements published

**3 Feb 2011**
Notice of Cargotec Corporation's Annual General Meeting

**3 Feb 2011**
Cargotec's Financial statements review 2010: Robust growth in orders and cash flow remained very strong

**31 Jan 2011**
Cargotec to acquire US based terminal operator systems provider Navis

**24 Jan 2011**
Cargotec refinances EUR 300 million revolving credit facility

**17 Jan 2011**
Cargotec publishes Financial Statements Review 2010 on Thursday 3 February 2011 at 12.30 pm EET

**14 Jan 2011**
Cargotec receives a significant port crane order from Colombia

**12 Jan 2011**
Cargotec's Stock Exchange Releases and Stock Exchange Announcements published in 2010

# Analysts

According to our knowledge the following analysts have regular coverage on Cargotec Corporation. The list may be incomplete. The listed analysts follow Cargotec on their own initiative. Cargotec takes no responsibility for the opinions they have expressed.

**ABG Sundal Collier**
Senai Ayob
Tel. +46 708 44 86 64

**Carnegie**
Iiris Kemppainen
Tel. +358 9 6187 1241

**Cheuvreux**
Johan Eliason
Tel. +46 8 723 5177

**Danske Markets**
Antti Suttelin
Tel. +358 10 2364 708

**Deutsche Bank**
Johan Wettergren
Tel. +46 8 463 5518

**Evli Bank**
Elina Riutta
Tel. +358 9 4766 9204

**FIM**
Markus Liimatainen
Tel. +358 9 6134 6422

**Goldman Sachs**
Benjamin Moore
Tel. +44 20 7774 2365

**Handelsbanken**
Tom Skogman
Tel. +358 10 444 2752

**Inderes**
Juha Kinnunen
Tel. +358 40 778 1368

**Nordea Bank**
Jan Kaijala
Tel. +358 9 1655 9706

**Pohjola Bank**
Pekka Spolander
Tel. +358 10 252 4351

**SEB Enskilda**
Tomi Railo
Tel. +358 9 6162 8727

**Swedbank Markets**
Erkki Vesola
Tel. +358 20 7469 153

**UBS**
Sebastian Übert
Tel. +49 69 1369 8243

**Öhman Securities**
Jari Harjunpää
Tel. +358 9 8866 6021

# Annual General Meeting 2012

Cargotec Corporation's Annual General Meeting will be held at the Marina Congress Center, at Katajanokanlaituri 6, Helsinki, Finland on Monday, 19 March 2012 at 1:00 p.m. Finnish time. The meeting will be held in Finnish. The notice of the meeting and other meeting material will be available on the investor pages at our company website.

## Right to attend the 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, 7 March 2012. 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 14 March 2012, 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

Shareholders who wish to attend the meeting must notify Cargotec no later than 4:00 p.m. on 14 March 2012 either:

- on the website www.cargotec.com
- by mail: Cargotec Corporation, AGM, P.O. Box 61, FI-00501 Helsinki, Finland
- by telephone: +358 20 777 4105, Monday–Friday between 10 a.m. and 4 p.m.
- by fax: +358 20 777 4036

## Proxies

Shareholders may participate in the meeting and use their voting rights by way of proxy representation. Any proxies must be submitted to Cargotec upon registration to the meeting.

## Dividend payment

The Board of Directors will propose to the Annual General Meeting convening on 19 March 2012 that, of the distributable profit, a dividend of EUR 0.99 per class A share and EUR 1.00 per outstanding class B share be paid. The dividend will be paid to shareholders who on the record date for dividend distribution, 22 March 2012, are registered as shareholders in the company's share register. The date proposed by the Board of Directors for the dividend payment is 29 March 2012.