Cargotec's Financial statements review 2011: Orders grew 18 percent and earnings per share doubled

The figures in this financial statements review are based on Cargotec Corporation's audited 2011 Financial statements.

October–December 2011 in brief

- Orders received grew 18 percent and totalled EUR 842 (716) million.
- Order book amounted to EUR 2,426 (31 Dec 2010: 2,356) million at the end of the year.
- Sales grew 11 percent and totalled EUR 828 (747) million.
- Operating profit was EUR 48.0 (38.5) million, representing 5.8 (5.2) percent of sales.
- Cash flow from operating activities before financial items and taxes totalled EUR 88.3 (99.5) million.
- Net income for the period amounted to EUR 34.8 (23.8) million.
- Earnings per share was EUR 0.56 (0.39).

Year 2011 in brief

- Orders received grew 18 percent and totalled EUR 3,233 (2,729) million.
- Sales grew 22 percent to EUR 3,139 (2,575) million.
- Research and product development expenditure was EUR 60.0 (37.1) million.
- Operating profit was EUR 207.0 (131.4) million, representing 6.6 (5.1) percent of sales.
- Cash flow from operations before financial items and taxes totalled EUR 166.3 (292.9) million.
- Net income for the financial period amounted to EUR 149.3 (78.0) million
- Earnings per share was EUR 2.42 (1.21)
- The Board of Directors proposes a dividend of EUR 0.99 per class A share and EUR 1.00 per class B share outstanding be paid.

Outlook for 2012

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

Cargotec key figures

MEUR	**Q4/11**	Q4/10	Change	**Q1-Q4/11**	Q1-Q4/10	Change
Orders received	**842**	716	18%	**3,233**	2,729	18%
Order book, end of period	**2,426**	2,356	3%	**2,426**	2,356	3%
Sales	**828**	747	11%	**3,139**	2,575	22%
Operating profit	**48.0**	38.5	25%	**207.0**	131.4	58%
Operating profit, %	**5.8**	5.2		**6.6**	5.1	
Income before taxes	**43.7**	30.2		**191.9**	101.4	
Cash flow from operations	**88.3**	99.5		**166.3**	292.9	
Net income for the period	**34.8**	23.8		**149.3**	78.0	
Earnings per share, EUR	**0.56**	0.39		**2.42**	1.21	
Net debt, end of period	**299**	171		**299**	171	
Gearing, %	**25.4**	16.0		**25.4**	16.0	
Personnel, end of period	**10,928**	9,954		**10,928**	9,954	

Cargotec's President and CEO Mikael Mäkinen:
In many respects, 2011 was eventful for Cargotec. In Industrial & Terminal segment, demand for solutions was brisk, and in the autumn we received several large terminal project orders. We reinforced our automation expertise with the Navis acquisition, and decided to establish a joint venture with our long-term Chinese partner. Once again, Marine segment achieved record sales and operating profit. Development and implementation of the company-wide ERP system and related processes progressed according to plan. Orders, sales and operating profit grew markedly. Although we are not fully satisfied with the development in Industrial & Terminal, Cargotec's operating profit margin for 2011 rising to 6.6 percent shows that we are moving in the right direction. We will continue working towards our target of 10 percent. Uncertainty in general economic trends is impeding us from seeing ahead. At the end of the year, we announced a change in our operating model, from the beginning of 2012, in order to further accelerate the implementation of strategic initiatives. Prior merging of business activities and centralisation of support operations have brought the planned benefits to our production facilities, sourcing activities and support functions. However, now is the time to differentiate, in order to secure the required development possibilities for each area.

Press conference for analysts and media
A press conference for analysts and media, combined with a live international telephone conference, will be arranged on the publishing day at 1:30 pm EET at Cargotec's head office, Sörnäisten rantatie 23, Helsinki. The event will be held in English. The report will be presented by President and CEO Mikael Mäkinen. The presentation material will be available at www.cargotec.com by 1:30 pm EET.

The telephone conference, during which questions may be presented, can be accessed using the following numbers ten minutes before the beginning of the event: US callers +1 334 323 6203, non-US callers +44 20 7162 0125, access code Cargotec/909847.

The event can also be viewed as a live webcast at www.cargotec.com. An on-demand version of the conference will be published at Cargotec’s website later during the day.

A replay of the conference call will be available until midnight 9 February 2012 in the following numbers: US callers +1 954 334 0342, non-US callers +44 20 7031 4064, access code 909847.

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Cargotec improves the efficiency of cargo flows on land and at sea - wherever cargo is on the move. Cargotec's daughter brands, Hiab, Kalmar and MacGregor are recognised leaders in cargo and load handling solutions around the world. Cargotec's global network is positioned close to customers and offers extensive services that ensure the continuous, reliable and sustainable performance of equipment. Cargotec's sales totalled EUR 3.1 billion in 2011 and it employs approximately 11,000 people. Cargotec's class B shares are quoted on NASDAQ OMX Helsinki under symbol CGCBV. www.cargotec.com

Cargotec's Financial statements review 2011

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 was evident, 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 2011 the year 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 during the fourth quarter grew 18 percent and totalled EUR 842 (716) million. 74 percent of these orders were received by Industrial & Terminal and 26 percent by Marine. The quarter saw the booking of the largest port project in Cargotec's history.

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.

Orders received by reporting segment

MEUR	**Q4/11**	Q4/10	Change	**Q1-Q4/11**	Q1-Q4/10	Change
Industrial & Terminal	627	462	36%	2,240	1,690	33%
Marine	216	254	-15%	997	1,040	-4%
Internal orders	-1	0		-4	-1	
Total	**842**	716	18%	**3,233**	2,729	18%

Sales

Fourth-quarter sales grew 11 percent from the comparison period, totalling EUR 828 (747) million. Sales in services grew 11 percent to EUR 202 (183) million, representing 24 (24) percent of total 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.

Sales by reporting segment

MEUR	**Q4/11**	Q4/10	Change	**Q1-Q4/11**	Q1-Q4/10	Change
Industrial & Terminal	**546**	471	16%	**1,929**	1,526	26%
Marine	**284**	276	3%	**1,213**	1,050	16%
Internal sales	**-1**	0		**-4**	-1	
Total	**828**	747	11%	**3,139**	2,575	22%

Sales by geographical area

MEUR	**Q4/11**	Q4/10	Change	**Q1-Q4/11**	Q1-Q4/10	Change
EMEA	**326**	331	-1%	**1,264**	1,087	16%
Asia-Pacific	**317**	280	13%	**1,231**	1,022	20%
Americas	**185**	136	36%	**644**	466	38%
Total	**828**	747	11%	**3,139**	2,575	22%

Financial result
Operating profit for the fourth quarter improved from the comparison period totalling EUR 48.0 (38.5) million, representing 5.8 (5.2) percent of sales. Comparative figures for 2010 include EUR 6.0 million in restructuring costs. Improvement in operating profit originated from Marine segment.

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 for the fourth quarter totalled EUR -4.3 (-8.3) million and net interest expenses EUR -3.7 (-4.1) million. 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 for the fourth quarter was EUR 34.8 (23.8) million and earnings per share EUR 0.56 (0.39). 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.

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 CO_2 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, amortisation 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 and divestments

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% interest in China Crane Investment Holdings Limited for approximately EUR 50 million. China Crane currently owns 18.75% 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 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 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.

Reporting segments

Industrial & Terminal

MEUR	**Q4/11**	Q4/10	Change	**Q1-Q4/11**	Q1-Q4/10	Change
Orders received	**627**	462	36%	**2,240**	1,690	33%
Order book, end of period	**1,054**	680	55%	**1,054**	680	55%
Sales	**546**	471	16%	**1,929**	1,526	26%
Sales of services	**152**	137		**564**	505	
% of sales	**28**	29		**29**	33	
Operating profit (EBIT)	**15.0**	15.6		**76.5**	28.8	
% of sales	**2.8**	3.3		**4.0**	1.9	
Personnel, end of period	**8,290**	7,310		**8,290**	7,310	

Industrial & Terminal's orders received during the fourth quarter totalled EUR 627 (462) million, 36 percent higher than in the comparison period. Growth in orders for services was boosted by spare parts. 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 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.

Industrial & Terminal's sales for the fourth quarter grew by 16 percent from the comparison period, totalling EUR 546 (471) million. Sales for services amounted to EUR 152 (137) million, representing 28 (29) percent of sales. 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.

Industrial & Terminal's fourth quarter operating profit was slightly lower than in the comparison period totalling EUR 15.0 (15.6) million, representing 2.8 (3.3) percent of its sales. Operating profit 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

MEUR	Q4/11	Q4/10	Change	Q1-Q4/11	Q1-Q4/10	Change
Orders received	**216**	254	-15%	**997**	1,040	-4%
Order book, end of period	**1,375**	1,675	-18%	**1,375**	1,675	-18%
Sales	**284**	276	3%	**1,213**	1,050	16%
Sales of services	**50**	46		**181**	173	
% of sales	**18**	17		**15**	16	
Operating profit (EBIT)	**42.9**	33.2		**176.2**	147.4	
% of sales	**15.1**	12.0		**14.5**	14.0	
Personnel, end of period	**2,122**	2,191		**2,122**	2,191	

Marine’s orders for the fourth quarter accounted for EUR 216 (254) million. Order received fell 15 percent from the comparison period. 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.

Marine’s fourth quarter sales grew three percent from the comparison period, totalling EUR 284 (276) million. Share of services sales was 18 (17) percent or EUR 50 (46) million. 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.

Marine’s fourth quarter profitability was again very strong. Operating profit for the quarter totalled EUR 42.9 (33.2) million, representing 15.1 (12.0) percent of 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 decided 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 Ltd 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.

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.

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.

Financial calendar 2012

Annual General Meeting, Monday, 19 March 2012
January–March 2012 interim report, Thursday, 26 April 2012
January–June 2012 interim report, Thursday, 19 July 2012
January–September 2012 interim report, Thursday, 25 October 2012

Helsinki, 7 February 2012
Cargotec Corporation
Board of Directors

Consolidated statement of income

MEUR	10-12/2011	10-12/2010	1-12/2011	1-12/2010
Sales	**828.4**	**746.9**	**3,138.7**	**2,575.0**
Cost of goods sold	-652.6	-599.1	-2,480.9	-2,052.2
Gross profit	**175.8**	**147.8**	**657.8**	**522.8**
Gross profit, %	*21.2*	*19.8*	*21.0*	*20.3*
Other operating income	12.3	15.3	46.9	43.2
Selling and marketing expenses	-50.6	-43.0	-180.7	-146.0
Research and development expenses	-18.2	-9.2	-59.0	-34.7
Administration expenses	-57.3	-51.2	-203.4	-197.9
Restructuring costs	-	-6.0	-	-10.5
Other operating expenses	-14.0	-15.7	-55.1	-46.3
Share of associated companies' and joint ventures' net income	0.0	0.5	0.5	0.8
Operating profit	**48.0**	**38.5**	**207.0**	**131.4**
Operating profit, %	*5.8*	*5.2*	*6.6*	*5.1*
Financing income	1.6	1.3	9.3	3.1
Financing expenses	-5.8	-9.6	-24.4	-33.1
Income before taxes	**43.7**	**30.2**	**191.9**	**101.4**
Income before taxes, %	*5.3*	*4.0*	*6.1*	*3.9*
Income taxes	-8.9	-6.3	-42.7	-23.4
Net income for the period	**34.8**	**23.8**	**149.3**	**78.0**
Net income for the period, %	*4.2*	*3.2*	*4.8*	*3.0*
Net income for the period attributable to:				
Equity holders of the company	34.6	23.7	148.6	74.2
Non-controlling interest	0.2	0.2	0.6	3.8
Total	**34.8**	**23.8**	**149.3**	**78.0**
Earnings per share for profit attributable to the equity holders of the company:				
Basic earnings per share, EUR	0.56	0.39	2.42	1.21
Diluted earnings per share, EUR	0.56	0.39	2.42	1.21

Consolidated statement of comprehensive income

MEUR	10-12/2011	10-12/2010	1-12/2011	1-12/2010
Net income for the period	34.8	23.8	149.3	78.0
Gain/loss on cash flow hedges	-6.4	19.5	-13.1	102.5
Gain/loss on cash flow hedges transferred to statement of income	3.1	-5.7	-18.8	-25.6
Translation differences	48.9	29.3	20.4	124.3
Taxes relating to components of other comprehensive income	-9.3	-8.2	6.3	-53.7
Comprehensive income for the period	**71.1**	**58.8**	**144.1**	**225.5**
Comprehensive income for the period attributable to:				
Equity holders of the company	71.0	58.6	143.7	220.3
Non-controlling interest	0.1	0.2	0.4	5.2
Total	**71.1**	**58.8**	**144.1**	**225.5**

Consolidated statement of financial position

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

EQUITY AND LIABILITIES, MEUR	31 Dec 2011	31 Dec 2010
Equity attributable to the equity holders of the company		
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 company	**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 *	420.5	403.8
Deferred tax liabilities	51.4	58.7
Pension obligations	45.6	45.2
Provisions	33.4	24.9
Derivative liabilities	16.0	3.9
Other non-interest-bearing liabilities	15.3	33.7
Total non-current liabilities	**582.1**	**570.1**
Current liabilities		
Current portion of long-term loans *	51.2	41.1
Other interest-bearing liabilities *	46.7	55.4
Provisions	69.4	65.0
Advances received	402.6	411.3
Income tax payables	40.4	22.4
Derivative liabilities	23.2	38.6
Accounts payable and other non-interest-bearing liabilities	727.0	642.8
Total current liabilities	**1,360.5**	**1,276.8**
Liabilities directly associated with assets held for sale	**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 Dec 2011, EUR -6.1 (31 Dec 2010: 1.2) million.

Consolidated statement of changes in equity

MEUR	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 company							
Equity on 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					-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 on 31 Dec 2010	**64.3**	**98.0**	**86.8**	**33.3**	**783.0**	**1,065.4**	**3.7**	**1,069.0**
Equity on 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					-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 on 31 Dec 2011	**64.3**	**98.0**	**105.6**	**9.6**	**895.7**	**1,173.2**	**4.0**	**1,177.1**

* Net of tax

Key figures

		1-12/2011	1-12/2010
Equity/share	EUR	19.12	17.37
Interest-bearing net debt	MEUR	298.9	171.2
Total equity/total assets	%	43.3	42.7
Gearing	%	25.4	16.0
Return on equity	%	13.3	8.0
Return on capital employed	%	13.3	8.6

Consolidated statement of cash flows

MEUR	1-12/2011	1-12/2010
Net income for the period	149.3	78.0
Depreciation and impairments	63.3	60.5
Financing items	15.1	29.9
Taxes	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	-76.6	-63.2
Proceeds from sales of fixed assets	15.6	36.7
Acquisitions, net of cash	-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	303.6	252.5
Effect of exchange rate changes	-1.6	5.4
Cash, cash equivalents and bank overdrafts 31 Dec	**200.4**	**303.6**
Bank overdrafts 31 Dec	3.3	14.1
Cash and cash equivalents 31 Dec	**203.7**	**317.7**

* Cash flow from interest paid include EUR 0.4 (2010: 0.2) million capitalised interests.

Segment reporting

Sales, MEUR	**1-12/2011**	**1-12/2010**
Industrial & Terminal	1,929	1,526
Marine	1,213	1,050
Internal sales	-4	-1
Total	**3,139**	**2,575**

Operating profit, MEUR	**1-12/2011**	**1-12/2010**
Industrial & Terminal	76.5	37.1
Marine	176.2	147.6
Corporate administration and support functions	-45.7	-42.8
Operating profit excluding restructuring costs	**207.0**	**141.9**
Restructuring costs:		
Industrial & Terminal	-	8.3
Marine	-	0.1
Corporate administration and support functions	-	2.1
Total restructuring costs	**-**	**10.5**
Total	**207.0**	**131.4**

Operating profit, %	**1-12/2011**	**1-12/2010**	
Industrial & Terminal	4.0	2.4	*
Marine	14.5	14.1	*
Cargotec, operating profit excluding restructuring costs	6.6	5.5	
Cargotec	6.6	5.1	

* Excluding restructuring costs.

Sales by geographical area, MEUR	**1-12/2011**	**1-12/2010**
EMEA	1,264	1,087
Asia-Pacific	1,231	1,022
Americas	644	466
Total	**3,139**	**2,575**

Sales by geographical area, %	**1-12/2011**	**1-12/2010**
EMEA	40.3	42.2
Asia-Pacific	39.2	39.7
Americas	20.5	18.1
Total	**100.0**	**100.0**

Orders received, MEUR	1-12/2011	1-12/2010
Industrial & Terminal	2,240	1,690
Marine	997	1,040
Internal orders received	-4	-1
Total	**3,233**	**2,729**

Order book, MEUR	31 Dec 2011	31 Dec 2010
Industrial & Terminal	1,054	680
Marine	1,375	1,675
Internal order book	-3	0
Total	**2,426**	**2,356**

Capital expenditure, MEUR	1-12/2011	1-12/2010
In fixed assets (excluding acquisitions)	46.6	43.5
In leasing agreements	0.5	0.5
In customer financing	29.6	16.4
Total	**76.6**	**60.3**

Number of employees at the end of period	31 Dec 2011	31 Dec 2010
Industrial & Terminal	8,290	7,310
Marine	2,122	2,191
Corporate administration and support functions	516	453
Total	**10,928**	**9,954**

Average number of employees	1-12/2011	1-12/2010
Industrial & Terminal	8,057	7,055
Marine	2,148	2,190
Corporate administration and support functions	488	428
Total	**10,692**	**9,673**

Notes

Taxes in statement of income

MEUR	1-12/2011	1-12/2010
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**

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 customer 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 totalled EUR 24.5 (1-12/2010: 17.7) million.

Fair values of derivative financial instruments

MEUR	Positive fair value 31 Dec 2011	Negative fair value 31 Dec 2011	Net fair value 31 Dec 2011	Net fair value 31 Dec 2010
FX forward contracts	38.7	39.3	-0.6	37.5
Cross-currency and interest rate swaps	22.5	-	22.5	13.4
Total	**61.1**	**39.3**	**21.8**	**50.9**
Non-current portion:				
FX forward contracts	15.7	16.0	-0.2	2.7
Cross-currency and interest rate swaps	22.5	-	22.5	13.4
Non-current portion	**38.2**	**16.0**	**22.2**	**16.1**
Current portion	**23.0**	**23.3**	**-0.4**	**34.8**

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

Nominal values of derivative financial instruments

MEUR	31 Dec 2011	31 Dec 2010
FX forward contracts	4,054.0	3,017.3
Cross-currency and interest rate swaps	231.9	224.5
Total	**4,285.9**	**3,241.9**

Acquisitions

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, 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**

Accounting principles

The financial statements review has been prepared according to the International Accounting Standard 34: Interim Financial Reporting. The accounting policies adopted are consistent with those of the annual financial statements for 2010. All figures presented have been rounded and consequently the sum of individual figures may deviate from the presented sum figure.

Adoption of the new and revised IFRS standards as of 1 January 2011

Starting from 1 January, 2011 Cargotec has adopted the following amended standards published in 2009 and 2010 by the IASB:

- IAS 24 (revised): Related Party Disclosures. The revised standard simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party.
- IAS 32 (amendment): Financial instruments: Presentation – Classification of Rights Issues. The amendment addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer.

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 review.

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

Calculation of key figures

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

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

Quarterly figures

Cargotec		Q4/2011	Q3/2011	Q2/2011	Q1/2011	Q4/2010	
Orders received	MEUR	842	811	761	819	716	
Order book	MEUR	2,426	2,349	2,306	2,373	2,356	
Sales	MEUR	828	753	795	763	747	
Operating profit	MEUR	48.0	54.4	54.0	50,6	44.5	*
Operating profit	%	5.8	7.2	6.8	6.6	6.0	*
Basic earnings/share	EUR	0.56	0.58	0.69	0.59	0.39	

Industrial & Terminal		Q4/2011	Q3/2011	Q2/2011	Q1/2011	Q4/2010	
Orders received	MEUR	627	566	513	535	462	
Order book	MEUR	1,054	943	819	778	680	
Sales	MEUR	546	456	485	442	471	
Operating profit	MEUR	15.0	20.7	22.0	18.8	20.9	*
Operating profit	%	2.8	4.5	4.5	4.3	4.4	*

Marine		Q4/2011	Q3/2011	Q2/2011	Q1/2011	Q4/2010
Orders received	MEUR	216	246	248	286	254
Order book	MEUR	1,375	1,407	1,487	1,595	1,675
Sales	MEUR	284	297	310	322	276
Operating profit	MEUR	42.9	44.0	45.9	43.3	33.2
Operating profit	%	15.1	14.8	14.8	13.4	12.0

* Excluding restructuring costs