

# Returns to Shareholders

## SHAREHOLDERS

We are pleased to report the returns to shareholders for 2008.

	2008	2007	2006	2005	2004
Return on equity*	16.4%	18.7%	37.0%	23.4%	17.5%
Interest cover (x times)**	4.4x	5.9x	6.3x	6.2x	5.5x
Net debt/Equity ratio***	38.5%	42.6%	90.2%	85.7%	32.7%
Proposed Dividend per ordinary share (cents EUR)	-	2.1	-	-	-
(cents NZD)	-	4.0	-	-	-

\* Return on equity is calculated on the average equity for the year

\*\* Interest cover is calculated on the interest expense and operating profit (EBIT)

\*\*\* Net debt/Equity ratio is calculated on the average net debt and average equity for the year

## EARNINGS PER SHARE

The profit before tax for the year represented a return of EUR 20.5 cents (NZD 42.5 cents) per share, based on 63,632,700 ordinary shares on issue during the year 2008, compared with EUR 18.3 cents (NZD 34.9 cents) in 2007. Earnings per share after tax (Net Earnings) was EUR 14.4 cents (NZD 29.9 cents) compared with EUR 11.4 cents (NZD 21.6 cents) in 2007.

(Based on the average exchange rate 2008 equal to EUR 1.0 = NZD 2.0783, and the average exchange rate 2007 equal to EUR 1.0 = NZD 1.9025)

## DIVIDENDS

The Board believes that, while the Group's year-end Balance Sheet is sound, current economic and credit market conditions require the Group to be conservative with its financial resources. Therefore, acknowledging our stated policy of paying shareholders approximately 15% of profit after tax, we have postponed any decision regarding the payment of dividends until the second half of 2009. We believe such actions are appropriate to better ensure the preservation and growth of shareholder value.

## CAVOTEC IN THE COMMUNITY

Cavotec's profitable performance contributes to the world community through the generation of wealth and employment. The total Value Returned to the Community (excluding amounts paid to suppliers who in turn provide employment and wealth) for 2008 was EUR 39.1 million (NZD 81.3 million).

	EUR	NZD
Benefits paid to employees	35,306,550	73,379,507
Taxes paid to Governments	3,814,898	7,928,708
Dividends paid to shareholders*	-	-
<b>TOTAL</b>	<b>39,121,448</b>	<b>81,308,215</b>

\*Not yet declared

## EXECUTIVE REMUNERATION

The number of employees within the company receiving remuneration and benefits above EUR 50,000 (~ NZD 100,000) are as indicated in the following table:

Remuneration in NZD	Number of Employees	Remuneration in NZD	Number of Employees
1,100,000	1	270,000	1
870,000	1	260,000	1
680,000	1	250,000	3
620,000	1	240,000	3
590,000	1	230,000	2
530,000	2	220,000	3
490,000	1	190,000	4
470,000	1	180,000	3
460,000	2	170,000	5
370,000	1	160,000	3
350,000	1	150,000	5
340,000	1	140,000	6
320,000	2	130,000	10
300,000	1	120,000	6
290,000	1	110,000	38
280,000	2	100,000	26
<b>SUBTOTAL</b>	<b>20</b>	<b>SUBTOTAL</b>	<b>119</b>
		<b>TOTAL</b>	<b>139</b>

## EMPLOYEE SATISFACTION

Cavotec MSL has always prided itself on being an open and forward-thinking company, and this philosophy is best exemplified in its approach to human resource management. We want each person to be a valued part of our global Group, while understanding the vital nature of their local role. Teamwork is an integral part of our focus and we encourage our employees to exchange ideas and co-operate globally. We believe our high rate of employee retention is proof that this approach works.

## HEALTH AND SAFETY

At Cavotec, Health and Safety are not just something we take seriously within the Company; they are an intrinsic component within the systems we supply. Many of the products and systems we manufacture are specifically designed to enhance the safety of our customers' personnel while they operate large mobile machines and vehicles. Internally, we at Cavotec are fully committed to following all applicable Health and Safety regulations wherever we operate around the world. Traditionally, our accident rate has been extremely low, with no fatal work-related incidents recorded since the Company was founded in 1974.

## ENVIRONMENTAL MANAGEMENT

We are committed to protecting the environment and limiting our consumption of natural resources in our manufacturing and related activities. To achieve this, we strive to comply with applicable environmental legislation, rules and regulations prescribed by the cities, states and countries where Cavotec MSL is present. We continue to advance our environmental and technological leadership role by proactively developing and implementing innovative solutions to reduce our customers' environmental footprint.

Our objective is to encourage and facilitate the open exchange of ideas and technology with our customers, addressing the needs of our global environment today and in the future.

## CORPORATE GOVERNANCE

The Directors are responsible to the shareholders for the performance of Cavotec MSL in both the short and the longer term and seek to balance these sometimes competing objectives with the best interests of the Group as a whole. Their focus is to further the interests of shareholders and other key stakeholders and to ensure Cavotec MSL is properly managed. The Board draws on relevant corporate governance best practice principles to assist and contribute to the performance of the Group. The corporate governance principles adopted by the Group under its Corporate Governance Code do not materially differ from the Corporate Governance Best Practice Code set out in the NZSX Listing Rules.

The functions of the Board include:

- Reviewing and approving of corporate strategies, the annual budget and financial plans.
- Overseeing and monitoring organizational performance and the achievement of Cavotec MSL's strategic goals and objectives.
- Monitoring financial performance, including approval of the annual and interim financial reports and liaising with Cavotec MSL's auditors.
- Appointing the Executive Chairman, the CEO and the members of the senior management team and assessing their performance.
- Ensuring there are effective management processes in place and approving major corporate initiatives.
- Enhancing and protecting the reputation of Cavotec MSL.
- Ensuring the significant risks facing Cavotec MSL and its controlled entities have been identified and that appropriate and adequate control, monitoring and reporting mechanisms are in place.
- Reporting to shareholders.

A description of Cavotec MSL's main corporate governance practices is outlined below. All these practices, unless otherwise stated, were in place for the entire year.

## THE BOARD OF DIRECTORS

The Board operates in accordance with the broad principles set out in its charter, including that:

- The Board should comprise both executive and non-executive directors with a majority of independent directors. At the date of signing the Annual Report, the Board consisted of six independent and two executive directors.
- The Chairman of the Board is elected by the full Board and should meet regularly with the CEO.
- There is sufficient benefit to Cavotec MSL in maintaining a mix of directors on the Board from different backgrounds with complementary skills and experience.
- The Board should undertake an annual Board performance review and consider the appropriate mix of skills required by the Board to maximize its effectiveness and its contribution to Cavotec MSL. The Board's current practice is that the review discussion is facilitated by the Chairman outside the normal programme of Board meetings. Outcomes of the review are documented together with the goals which are established for the coming year.

The Board has established a number of committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Current committees of the Board are the audit, the remuneration, and the nomination committees and are comprised entirely of Independent Directors. The committee structure and membership is reviewed on an annual basis. Each of these committees has its own written charter that details its role and responsibilities and the manner in which the committee is to operate. All matters determined by committees are submitted to the full Board as recommendations for Board decision.

Cavotec MSL's constitution specifies that all directors must retire from office no later than the third annual meeting following their last election. Where eligible, a director may stand for re-election, subject to the following limitations:

- No director (other than the executive directors) may serve more than three terms (nine years).

In addition, the Board seeks to ensure that the membership at any point in time represents an appropriate balance between directors with experience and knowledge of Cavotec MSL and directors with an external or fresh perspective.

#### COMMITMENT

During the year, the Board meets for four to five Board meetings and additional corporate strategy workshops. At least one of those meetings is held at an operational site of the Group and a full tour of the facilities is included as part of the visit. Independent Directors are expected to spend at least ten to twenty days a year preparing for and attending Board and committee meetings and associated activities.

#### INDEPENDENT PROFESSIONAL ADVICE

Directors and Board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at Cavotec MSL's expense. Prior written approval of the Chairman is required, but this will not be unreasonably withheld.

#### REMUNERATION COMMITTEE

The remuneration committee is focused on establishing transparent and fair compensation plans for senior managers. The compensation plans should reflect market conditions in the various countries where Cavotec MSL is operating. The remuneration committee is also entrusted with evaluating the result of salary reviews for senior managers and determining compensation plans for the Executive Chairman and CEO. During 2008, the remuneration committee has carried out, with the support of MERCER Human Resource Consulting, a complete position analysis of senior managers and linked the outcome to compensation database statistics for all markets.

#### NOMINATIONS COMMITTEE

The nominations committee is instrumental in drafting an Annual Governance Review that engages all members of the Board in seeking their individual and collective views on all matters of corporate governance. The findings are then circulated to all members and discussed at a special board session. The outcomes are intended to help improve the efficiency in management reporting and communication, succession planning and a key focus on strategic planning processes. In addition, the Committee acts as a conduit for receiving, processing and providing advice on nominations received for the role of a Director to be considered by shareholders at the forthcoming Annual General Meeting.

#### AUDIT COMMITTEE

The Audit Committee consists of three Independent Directors. All of the members are financially experienced and have relevant finance and/or auditing experience. Two of them, namely Michael Cashin and Lakshmi C. Khanna, are Chartered Accountants while the third, Joe Pope, is an accredited Fellow of the Institute of Directors. The charter for the Audit Committee, which also summarizes its responsibilities, is contained in the Corporate Governance Code adopted by the Group.

The Audit Committee met four times in 2008 and it received regular reports from the management. The Committee reviewed and reported to the Board on the annual report and the half-yearly report and all other financial information published or released to the market. It met periodically with the external auditors, reviewed the terms of their engagement and the scope of their audit work and the conclusions of their work. The external auditors and the Internal Audit Manager both have a direct line of communication at any time to the Chairman of the Audit Committee and to the Chairman of the Board of Directors.

#### BOARD AND COMMITTEE ATTENDANCE 2008

	Board		Audit		Remuneration		Nomination	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Michael Cashin	5	5	4	4	3	3	4	4
Jack Groesbeek	5	5	-	-	-	-	4	4
Lakshmi Khanna	5	5	4	4	-	-	4	4
Erik Lautmann	5	5	-	-	3	3	-	-
Christer Granskog	2	2	-	-	-	-	-	-
Joe Pope	5	5	4	4	3	3	-	-
Ottonel Popesco	5	5	-	-	-	-	-	-
Stefan Widgren	5	5	-	-	-	-	-	-

## INTERNAL AUDIT

The internal audit function was introduced in 2007 in conjunction with the risk management programme, and focuses on the operation, effectiveness and efficiency of the internal control environment. A specific Internal Audit Manager was appointed with the intention to reinforce the internal audit procedures of the Group. In 2008, six major Cavotec companies underwent a full internal audit, and no significant weaknesses or non-compliance issues were detected.

## RISK MANAGEMENT

Risk management is a key part of the Company's control system. The purpose of risk management is to ensure that risks related to business operations of the Company are identified and managed adequately and appropriately. All Managing Directors in the company assist the CEO with active risk management on a daily basis.

## INTERESTS REGISTER

The Group is required to maintain an interests register in which the particulars of certain transactions and matters involving the directors must be recorded. The interests registers for the Parent is available for inspection by shareholders at the registered office of the Parent. Details of all matters that have been entered in the interests register by individual directors are outlined in the following director profiles. Where a director has declared an interest in a particular entity, as a shareholder and/or director, the declaration serves as notice that the director may benefit from any transactions between the Parent or Group and the identified entities.

## INFORMATION USED BY DIRECTORS

No member of the Board of Cavotec MSL Holdings Ltd, or any subsidiary, issued a notice requesting to use Group information received in their capacity as directors which would not otherwise have been available to them.

## INDEMNIFICATION AND INSURANCE OF OFFICERS AND DIRECTORS

The Parent indemnifies all directors named in this report, and current and former executive officers of Cavotec MSL's against all liabilities (other than to the Parent or member of the Group), relating to the performance of their normal duties as Director or Executive Officer, unless the liability relates to conduct involving lack of good faith. This includes indemnity of costs and expenses incurred in defending an action that falls within the scope of the indemnity. To manage this risk, Cavotec MSL has a D&O indemnity insurance with Dual Corporate Risks.

## DIRECTORS' REMUNERATION 2008

Board of Directors	Director Fees	Other Remuneration*	Bonus**
<b>Executive Directors</b>			
Peter Montgomery (resigned April 29 <sup>th</sup> , 2008)	-	105,503	8,041
Ottonel Popesco	-	375,550	62,862
Stefan Widegren	-	457,700	94,292
<b>SubTotal remuneration to Executive Directors</b>	<b>-</b>	<b>938,753</b>	<b>165,195</b>
<b>Independent Directors</b>			
Michael Cashin	42,123	-	-
Christer Granskog	12,312	-	-
Jack Groesbeek	29,623	50,000	-
Lakshmi Khanna	37,123	70,000	-
Erik Lautmann	32,123	-	-
Joe Pope	34,623	-	-
<b>SubTotal remuneration to Independent Directors</b>	<b>187,927</b>	<b>120,000</b>	<b>-</b>
<b>Total to Cavotec MSL Board members in EUR</b>	<b>187,927</b>	<b>1,058,753</b>	<b>165,195</b>

\* Other remunerations include base salary, pensions and other benefits for the Executive Directors and fees for other services for Independent Directors.

\*\* Paid out in subsequent year

## DIRECTORS' SHARE DEALINGS 2008

Directors	Shares Acquired	Shares Disposed	Consideration EUR
Peter Montgomery	-	90,000	187,504
<b>Total in EUR</b>	<b>-</b>	<b>90,000</b>	<b>187,504</b>

## DIRECTORS' RELEVANT INTEREST IN CAVOTEC MSL (CCC) SECURITIES

Interests per December 31 <sup>st</sup> , 2008	Number of shares held
Michael Cashin (through Amato Enterprises Ltd)	305,000
Jack Groesbeek	975,000
Lakshmi Khanna (through Lonheda BV)	263,406
Erik Lautmann	87,802
Peter Montgomery	1,317,581
Joe Pope	10,000
Ottonel Popesco (through Altafin BV)	2,685,992
Stefan Widegren (through Lonheda BV)	6,766,361
<b>Total shares held by Directors in Cavotec MSL Holdings Ltd</b>	<b>12,411,142</b>

## BOARD OF DIRECTORS

### Michael Cashin CA, CPA (Australia), FCIS

Michael has worked for a number of large listed companies in New Zealand and overseas. He was appointed Chairman of the Company in 2000 and remained as Chairman until the merger with Cavotec Group Holdings N.V. on 5 January 2007. He is currently a director of Property for Industry Ltd, Ryman Healthcare Ltd and Wellington Waterfront Ltd. Past Directorships include Capital Properties NZ Ltd, Centrepont Ltd, Allied Farmers Ltd, Housing Corporation of New Zealand, Housing New Zealand Ltd and At Work Insurance Ltd.

### Christer Granskog MSc. (Helsinki University of Technology)

Christer is the past President and Chief Executive Officer of Kalmar Industries. He has previously worked as Deputy to the President and Chief Executive Officer at Partek Oy Ab and President and Chief Executive Officer of Partek Cargotek AB (1997-98), President and Chief Executive Officer of Sisu Group (1994-97) and Chief Executive Officer of Valmet Automation Oy (1990-94). He currently serves as Deputy Chairman of VR-Group Oy and is Member of the Board of Directors of Baltkran JSC, Havator Oy, Sarlin Oy and Rautaruukki Oy. He was appointed director of the Company on the 12th October 2008.

### Jack Groesbeek LLB (University of Amsterdam)

Jack has worked as legal counsel/director with a number of management companies and currently operates his own practice from Amsterdam and Luxembourg. He is presently a director of several Dutch and Luxembourg holding companies including United Business Media Plc, ICAP Plc, Eon AG/Powergen Plc, Intrum Justitia AB, and Cavotec Group Holdings NV. Jack was appointed a director of the Company on 5 January 2007 at the time of settlement of the merger between the Company and Cavotec Group Holdings NV.

### Lakshmi C. Khanna BA Mathematics (Punjab University, India), FCA (England & Wales), CA (India)

Lakshmi has had a distinguished career with PricewaterhouseCoopers (Italy) extending from 1966 and retiring as a partner from the practice in 2001. His career has involved client service responsibilities for the Italian operations of multinational entities including United Technologies, General Foods, Trust House Forte, and IBM amongst others. He has been President of the Rotary Club of Milano, President of the World Community Service Commission of Rotary (Lombardy), and Advisor to the Joint Task Force Confederation of Italian Industry and the Confederation of Indian Industry. Lakshmi is an Independent Director of Cavotec Group Holdings N.V. and a number of privately owned companies. Lakshmi was appointed a director of the Company on 5 January 2007 at the time of settlement of the merger between the Company and Cavotec Group Holdings N.V.

### Erik Lautmann BSc (Stockholm School of Economics)

Erik's professional career has included being Managing Director of Catella AB, DHL International AB (Nordic Countries), Alfaskop AB and Jetpak Group (Nordic countries). He is currently Chairman of Paxxo AB and has held positions as a member of the Board of Association of Swedish Service Companies, Lithells, SAS Cargo Group and Multicom Security. Erik is also an Independent Director of Cavotec Group Holdings N.V. Erik was appointed a director of the Company on 5 January 2007 at the time of settlement of the merger between the Company and Cavotec Group Holdings N.V.

### Joe Pope B. Comm Economics (VUW)

Joe has an extremely successful career as a Chief Executive and director of several substantial organisations, including twelve years as CEO of ENZA and ten years on the board of TradeNZ, culminating in being appointed Chair. Joe is currently Chairman of the Wellington Rugby Football Union, Team Talk Ltd and Revera Ltd., among others. He is also an Accredited Fellow of the Institute of Directors. Joe's contribution to NZ business was formally recognised by the Governor General in the Queen's Birthday Honours list of 2006 when Joe was appointed an Officer of the New Zealand Order of Merit.

### Ottonel Popesco MBA (Sorbonne University), M.Sc (Bucarest)

Ottonel joined the Cavotec Group in 1988 and presently holds the position of Chief Executive Officer. Prior to this appointment he spent five years as Sales & Marketing Director with ABB France (CKB Manufacturing Division). In addition to his tertiary qualifications, Ottonel is a registered professional engineer (France), President of PEMA (Port Equipment Manufacturers Assoc.) and an Associate member of the Engineering Committee of the American Association of Port Authorities. Ottonel is CEO of the Company and was appointed a director of the Company on 5 January 2007 at the time of settlement of the merger between the Company and Cavotec Group Holdings N.V.

**Stefan Widegren** (Royal Institute of Technology, Stockholm)

Stefan studied mechanical engineering, with a specialisation in hydraulics and pneumatics, at the Royal Institute of Technology in Stockholm from 1970 to 1975. In 1972 he joined Specimas Srl (Italy), founded Cavotec AB (Sweden) in 1974 and assumed the role of Managing Director.

Cavotec acquired Specimas in 1984. Stefan was appointed Chairman & CEO of the Cavotec Group in 1990. His other interests have included Chairman of the Union of International Chambers of Commerce in Italy, Chairman Swedish Chamber of Commerce in Milan and President of the Rotary Club of Milano Sud Est. Stefan was appointed Executive Chairman of the Company on 5 January 2007 at the time of settlement of the merger between the Company and Cavotec Group Holdings N.V.

**Peter Montgomery** resigned his directorship on 29th April 2008.

#### DIRECTORS OF SUBSIDIARIES

In most cases, the Boards of the Group's subsidiaries are comprised of members of the Group's management. These directors do not receive any additional director's fees of remuneration.

#### THE EXECUTIVE MANAGEMENT COMMITTEE

The Executive Management Committee (EXCO) consists of Group senior managers and officers who assist the CEO with managing and implementing Group decisions and strategies. In addition to its members' daily management role, EXCO has the task of assisting the CEO and the Board of Directors with formulating future strategies, preparing budgets and special reports and assisting in the identification, negotiation and integration of possible acquisition targets. EXCO members meet at 2-3 strategy meetings per year, and individual members maintain contact with each other as and when the need arises.

#### INSIDER REGISTER

Cavotec MSL is governed by the Insider Rules established by the New Zealand Stock Exchange. The Cavotec MSL Insider Register includes members of the Board of Directors, the Executive Chairman and the CEO, the Executive Board, MD's of subsidiaries, the auditors, as well as other persons having a comparable position in the Group based on the decision of the Company. Persons registered in the Insider Register are not allowed to trade in Cavotec MSL securities during a period commencing on the first day of each semester and ending upon the publication of the corresponding interim report or financial statements of the Company.

#### TWENTY LARGEST ORDINARY EQUITY HOLDERS

Shareholders	Nationality	Actual Ownership 31 December 2008	Total (%)
Lonheda BV	The Netherlands	9,018,441	14.17%
New Zealand Central Securities	New Zealand	8,543,039	13.43%
Nordea Life & Pensions Ltd (through NZ Central Securities)	Luxemburg	7,723,394	12.14%
Altafin BV	The Netherlands	6,282,298	9.87%
Nomina SA	Luxemburg	6,164,643	9.69%
Brevetti Stendalto Holdings BV	The Netherlands	3,222,869	5.06%
Hans Jeppson	Italy	1,993,420	3.13%
Dragos Foundation	Netherland Antilles	1,667,996	2.62%
Peter Montgomery	New Zealand	1,317,581	2.07%
Gema Invest AS	Norway	1,358,979	2.14%
SIMON SpA	Italy	906,258	1.42%
Jack Groesbeek	The Netherlands	975,000	1.49%
Union Live Private Foundation	Netherland Antilles	965,498	1.52%
John Cooper	China	939,474	1.48%
Granli Private Foundation	Netherland Antilles	843,843	1.33%
Robert Weber Family Trust	New Zealand	835,731	1.31%
Matepi AB (through NZ Central Securities)	Sweden	757,161	1.19%
SR International SARL	Luxemburg	743,639	1.17%
Jardin Custodians Limited	New Zealand	625,000	0.98%
Emma Jeppson	Italy	330,557	0.52%
<b>TOTAL</b>		<b>55,214,821</b>	<b>86.72%</b>
<b>SHARES ON ISSUE</b>		<b>63,632,700</b>	

## DISTRIBUTION OF EQUITY SECURITIES

Range of equity holders	Number of holders	Number of shares held	% of issued shares
1 - 4,999	790	1,250,853	1.97%
5,000 - 9,999	145	844,978	1.33%
10,000 - 49,999	147	2,386,357	3.75%
50,000 - 99,999	20	1,242,830	1.95%
100,000 - 499,999	14	3,053,458	4.80%
500,000 - 999,999	6	6,804,403	10.69%
1,000,000 plus	11	48,049,821	75.51%
<b>TOTAL</b>	<b>1,133</b>	<b>63,632,700</b>	<b>100.00%</b>

## SUBSTANTIAL SECURITY HOLDERS

The following information is given in accordance with Section 35F of the Securities Markets Act 1988. According to notices received, the following persons were substantial security holders in the Company as at December 31st, 2008:

Holder	Number of shares held
Lonheda BV, The Netherlands	9,018,441
New Zealand Central Securities Depository Ltd, New Zealand	8,543,039
Nordea Life & Pensions Ltd (through NZ Central Securities), Luxembourg	7,723,394
Altafin BV, The Netherlands	6,282,298
Nomina SA, Luxembourg	6,164,643
Brevetti Stendalto Holdings BV, The Netherlands	3,222,869

The total number of issued voting securities of the Company as at December 31st, 2008 was 63,632,700.

## SHAREHOLDER INFORMATION

The ordinary shares of Cavotec MSL Holdings Ltd are listed on the New Zealand Stock Exchange. The information in the disclosures above has been taken from the information available by Link Market Services.

## SHAREHOLDER ENQUIRIES

Shareholders should send changes of address and requests for payment of dividends by direct credit to Link Market Services at the address noted in the directory. Notification must be in writing. Questions relating to shareholdings or share certificates should also be addressed to Link Market Services. For information about Cavotec MSL Holdings Ltd., please contact the at the registered office by sending an e-mail to [communications@cavotec.com](mailto:communications@cavotec.com) or visit us at our website [www.cavotec.com](http://www.cavotec.com)

## AUDITORS

The principal auditor for the Group is PricewaterhouseCoopers (PWC). In addition to audit services, PWC provided tax and other assurance services during the year. For a detailed breakdown of the audit fees please refer to note 26 on page 43.