Group management report

Fiscal 2008: between growth and recession

Worldwide demand for material handling equipment down

Jungheinrich maintains course for growth: net sales achieve new record

Earnings trend at high level

Successful appearance at CeMAT 2008 trade show

New plant for battery-powered low-platform trucks takes shape


JUNGHEINRICH

Jungheinrich stayed its course for growth despite the increasingly cooling global economy. Consolidated net sales reached a new record level of over €2.1 billion. The earnings trend ended with the company's second-best result. World demand for material handling equipment weakened considerably from the fourth quarter onwards. Jungheinrich had a successful turnout at CeMAT, the world's lead intralogistics trade fair. Construction of the new plant for battery-powered low-platform trucks in Landsberg (Saxony-Anhalt) took shape.

Business and economic environment

Corporate profile

Established in 1953, Jungheinrich ranks among the world's leading companies in the material handling equipment, warehousing and material flow engineering sectors. In its branch of industry, the company ranked second in Europe and third worldwide, as in the previous year. As a logistics service provider with manufacturing operations, Jungheinrich offers its customers a comprehensive range of forklift trucks, logistics systems and related services covering the entire field of intralogistics. These encompass the short-term hire and sales financing of products, equipment maintenance and repair as well as reconditioning and selling used equipment. The company produces nearly all engine-powered material handling trucks in its own plants in Germany. Warehousing equipment is manufactured in Norderstedt, while counterbalanced and narrow-aisle trucks are produced in Moosburg. Jungheinrich manufactures small-series and specialized trucks at its Lüneburg site. A selection of low and high-platform trucks is produced for the Asian market in Qinqpu (China). Jungheinrich operates an efficient, global direct sales and service network with proprietary sales and service companies in and outside of Europe. Furthermore, the company is represented by numerous dealers on overseas markets. Its operations are rounded off by mail-order business which is in the process of being built.

Organization

Since 2007, Jungheinrich AG has been active as a management holding company and conducted operations on a small scale. Its activity as management holding company comprises holding and managing stakes in companies in Germany and abroad as well as combining them under uniform management. Furthermore, Jungheinrich AG operates in the fields of central spare parts supply, central research and development and property management. As the Jungheinrich Group's management company, Jungheinrich AG is responsible for determining and monitoring corporate goals. In addition, the parent company handles management, steering and controlling processes as well as risk management and resource allocation. Whereas subsidiaries are under Jungheinrich AG's control, the Group companies' legal autonomy is preserved. Operations are run by the individual management teams with the support of corporate headquarters. The economic ratios and reports submitted regularly to the entire management board are oriented to interdivisional business-management control variables.

Jungheinrich's strategic objectives are geared towards profitable growth throughout the Group. Earnings expectations are primarily oriented towards the EBIT return on sales, which is intended to be above the competition's average. Jungheinrich already commands a leading position on the European market, above all in the warehousing technology sector. This is why the Group is principally concentrating on the expansion of growth markets in Eastern European countries and Asia, with a particular emphasis on Russia and China. In addition, the company aims to expand its systems business and significantly improve its position on the European market for counterbalanced trucks and above all for IC engine-powered drives.

Compensation model

Jungheinrich's management pursues the principle of value-oriented management. This forms the basis for the value-oriented compensation systems, which are linked to key value-added indicators such as the return on sales and capital employed (ROS and ROCE).

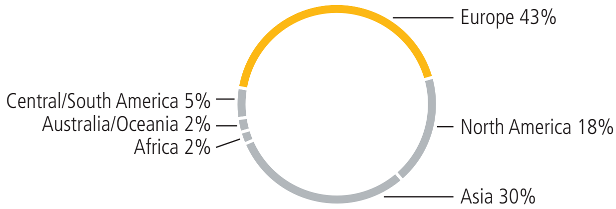
Board of Management compensation

The Supervisory Board is responsible for determining the remuneration of the members of the Board of Management. Upon initiative by the Personnel Committee, it decides on the composition of the remuneration system and reviews its appropriateness regularly. The remuneration of members of the Board of Management includes a fixed and a variable component. The Board of Management's compensation system is characterized by its performance orientation. This is reflected in the ratio of the variable to the fixed component. The variable component can amount to more than 50 per cent if very good results are achieved. The variable component's success parameter is the EBIT return on sales (ROS) of the Jungheinrich Group, in line with the degree to which a target return established for several years is achieved in accordance with the company's strategic orientation, which is reviewed and can be adjusted on an annual basis. The variable component is paid retrospectively once a year, commensurate with the results achieved in the preceding fiscal year. Pensions for members of the Board of Management are calculated based on the individual's years of service at Jungheinrich with a lead-in period until the member has a right of non-forfeiture.

Supervisory Board compensation

Remuneration of the Supervisory Board is governed by Sec. 18 of Jungheinrich AG's articles of association. The amount and payment dates are determined by the Annual General Meeting. Besides being reimbursed for their out-of-pocket expenses, members of the Supervisory Board receive a compensation, to which the applicable sales tax is added. The Chairman of the Supervisory Board receives double this amount, with the deputy receiving one-and-a-half times this sum. The compensation of each member of the Supervisory Board totals €15,000 per annum, plus €2,000 for every 1 per cent of the dividend exceeding 4 per cent for the preceding financial year paid to preferred shareholders. Members of the Supervisory Board committees collectively receive double the aforementioned compensation. The respective committee decides on how it is divided among them.

Global market for material handling equipment by region in 2008



Source: WITS (World Industrial Truck Statistics).

General economic situation

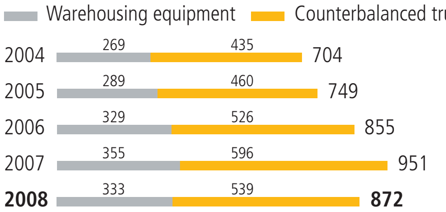
Economic growth of select economic regions (GDP[1]) in %

Region	2008	2007
World	3.7	5.0
USA	1.3	2.0
China	9.0	11.9
Eurozone	0.7	2.6
Germany	1.3	2.5

1 Gross domestic product. Source: Commerzbank.

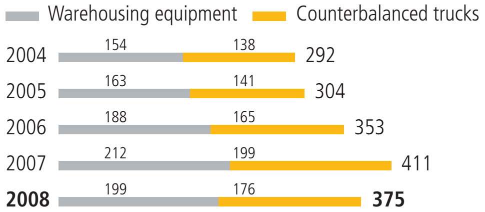
The global financial crisis began to affect the world economy in the 2008 reporting period, accelerating the economic downturn witnessed the world over in the second half of the year, which led to a recession in a number of regions. As a result, the pace of growth seen in the preceding year slowed substantially. Energy and raw material prices, which were already high, again hit record levels, before declining markedly in the second six months. This was especially true as regards crude oil prices, which had a dampening effect on the global economic trend. Steel and non-ferrous heavy metal displayed similar price developments. In 2008, the world economy grew by 3.7 per cent (prior year: 5.0 per cent). Once again, the strongest growth stimuli came from Asia, despite its waning momentum, whereas economic expansion in the USA and Europe weakened significantly compared to the previous year. Asia again benefited from China, although the latter country's growth rate slipped somewhat, amounting to 9.0 per cent (prior year: 11.9 per cent). Economic expansion in the USA dropped to 1.3 per cent (prior year: 2.0 per cent). Growth in Eurozone countries slowed to 0.7 per cent (prior year: 2.6 per cent). Countries of major importance to Jungheinrich in terms of sales such as Italy, France and Spain contributed to this deterioration. Their economic performance ranged between minus 0.5 and plus 1.1 per cent (prior year: between 1.4 and 3.7 per cent). Gaining 0.7 per cent, the UK recorded weak growth as well (prior year: 3.0 per cent). Some countries in Central and Eastern Europe continued to expand faster, although they also experienced a downward trend. Germany's economic output rose by a mere 1.3 per cent in the period under review (prior year: 2.5 per cent). Most notably, exports and investments plummeted due to the global economic crisis, whereas the decline experienced by imports was relatively moderate, at 4.4 per cent (prior year: 5.0 per cent). Investment in property, plant and equipment decreased from 6.9 per cent to 5.3 per cent, and exports declined from 7.5 per cent to just 3.2 per cent. The clouding economic environment had a strong impact on the German mechanical engineering sector, which depends on exports to a great degree. Foreign demand dropped by a total of 7 per cent (prior year: up 18 per cent), with domestic orders falling by 6 per cent (prior year: up 11 per cent). In contrast, production was increased by about 5 per cent (prior year: up 11 per cent).

Worldwide market volume of material handling equipment
in thousand units



Source: WITS (World Industrial Truck Statistics).

Market volume of material handling equipment in Europe
in thousand units



Source: WITS (World Industrial Truck Statistics), including Turkey.

Development of the market for material handling equipment

Market volume of material handling equipment in thousands of units

Region	2008	2007
Europe (incl. Turkey)	374.7	410.9
thereof Eastern Europe	70.9	74.3
North America	159.3	191.4
Asia	259.3	266.0
thereof China	113.4	118.3
World	871.6	950.9

In view of the progressively cooling world economy in the period under review, the material handling equipment sector lost momentum, experiencing a massive contraction in the fourth quarter of 2008, compared with the same period a year earlier. In consequence, the world market shrank by a total of 8 per cent to 872 thousand forklift trucks in 2008 (prior year: 951 thousand units). The market volume thus significantly lagged the previous year's estimates, which had projected an expansion of the market to 'slightly more than 1 million trucks.' The strongest declines were recorded in North America and Europe. Demand for material handling equipment in Europe dropped by some 9 per cent to 375 thousand units (prior year: 411 thousand units). Although Eastern Europe was unable to emerge from the general downward trend unscathed, its market volume did not decrease as much, shrinking by about 5 per cent. Russia's development, previously driven by considerable momentum, came to a halt, with the market contracting by approximately 10 per cent. Western Europe's market volume was down by a total of 9 per cent. The largest drop in demand among key sales markets was experienced by Spain, which saw its market shrink by roughly 30 per cent. North America's market volume decreased further, declining by about 17 per cent to 159 thousand forklift trucks (prior year: 191 thousand units). By comparison, Asia merely posted a decline of just under 3 per cent to 259 thousand trucks (prior year: 266 thousand units). China, the growth engine which had long led the Asian market, recorded a drop of 4 per cent. Warehousing equipment contributed a below-average 6 per cent to the global market's reduction in volume, with counterbalanced trucks accounting for about 10 per cent of the contraction. The Jungheinrich Group defended its position on the world market for material handling equipment in an environment significantly characterized by market weakness and competitive pressure.

Focal points and activities

The Jungheinrich Group's highlights in the 2008 financial year were the construction of a production plant and the company's appearance at the CeMAT trade fair in Hanover. Furthermore, measures taken to reduce costs in reaction to the consequences of the world economic crisis for the sector in which it is active gained increasing importance.

Jungheinrich expects further market growth over the long term and therefore commenced construction of a manufacturing plant for battery-powered low-platform trucks in Landsberg near Halle (Saxony-Anhalt) in 2008. Conceived as an independent centre of excellence, this factory, which will handle product engineering as well as product management for these trucks, is scheduled to be commissioned by mid-2009. The plant's initial layout will accommodate a production capacity for over 30,000 trucks.

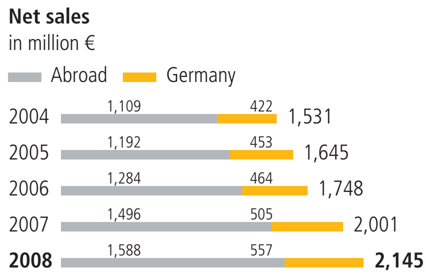
May 2008 saw Jungheinrich score a great success at CeMAT, the lead international logistics trade show, which regularly takes place every three years. Energy efficiency and drive technology were the points of focus. 'Concept '08,' the engineering design presenting a host of novel ideas, drew special attention. Jungheinrich implemented key future developments and proved its innovative prowess once again. Numerous other product novelties and refinements were also presented, including a new IC engine-powered truck generation featuring a hydrostatic drive train and a new battery-powered counterbalanced truck.

The Jungheinrich direct sales network's market and service footprint was further enlarged above all in Asia and Eastern Europe, the markets of the future. New technical consultants and after-sales service engineers were hired.

We established our own financial services company in Spain in order to expand our service business, which is of strategic importance on a pan-European basis. Jungheinrich thus has an immediate presence on Europe's five largest markets, i.e., Germany, France, the UK, Italy and Spain, with in-house financial service expertise to support its sales operations.

Groupwide IT networking using off-the-shelf software progressed again in 2008. At the beginning of the year, the SAP ERP system was upgraded with enhanced character set functionality, enabling the integration of such countries as Russia and China into the Jungheinrich IT network. The next step envisaged is the introduction of this system in the Russian sales company in 2009. Last year, a new system based on uniform processes was introduced to dispatch after-sales service engineers in three countries (Germany, France and the UK). In addition, management decided to introduce a CRM (Customer Relationship Management) system in Germany.

The progressively deteriorating economic scene necessitated an enormous action plan in the second half of the year. For instance, construction work on the new warehousing and system truck manufacturing plant in Degernpoint near Moosburg (Bavaria, Germany) has been postponed for the time being, and production across all factories has been adapted to the decline in demand. The first phase entailed reducing the temporary workforce and work time account balances and renouncing the extension of temporary employment contracts. Moreover, numerous comprehensive cost and structural projects were initiated, designed to achieve additional positive effects in the future.



Business trend

Business trend—key figures

		2008	2007
Incoming orders	million €	2,145	2,120
Production	units	80,700	82,400
Orders on hand Dec. 31	million €	242	334
Net sales	million €	2,145	2,001

Despite the adverse underlying conditions in the period being reviewed, the Jungheinrich Group proved its mettle and stayed its course for growth: It posted another gain in business volume. However, the Jungheinrich Group's business trend was less favourable than a year before, since the material handling equipment industry was hard hit by the economic downturn in the fourth quarter of 2008. The first three quarters of market growth were followed by a substantial decline in the fourth quarter, resulting in a massive decrease for the year as a whole, from which the Jungheinrich Group was unable to decouple itself. Incoming orders from new truck business based on units was down 8 per cent to 77 thousand trucks throughout the Group (prior year: 84 thousand units). Nevertheless, the value of incoming orders, including all business areas, was 1 per cent up year on year to €2,145 million (prior year: €2,120 million), but fell short of the medium single-digit per cent growth rate forecast in the preceding year. In 2008, the Group's production output declined by 2 per cent to just under 81 thousand trucks (prior year: over 82 thousand units). The first set of measures was implemented to adapt production to lower demand at all manufacturing sites in early reaction to the downward market and order trend (e.g. reduction of temporary personnel and work time account balances). By December 31, 2008, the value of orders on hand in new truck business, which has a high share of logistic system contracts including a substantial number of third-party products, had fallen to €242 million (prior year: €334 million). Accordingly, the order reach decreased to a good two months, compared to nearly four months in the preceding year.

Net sales by region

in million €	2008	2007
Germany	557	505
Rest of Europe	1,467	1,372
Other countries	121	124
Total	2,145	2,001

Consolidated net sales in the reporting year amounted to €2,145 million, achieving a new record and surpassing the €2,001 million recorded a year earlier by 7 per cent. The originally anticipated rise in net sales by a mid-range single-digit percentage was thus exceeded. Domestic business posted a year-on-year gain of 10 per cent, while foreign sales advanced less, growing by 6 per cent. As a result, the foreign ratio declined to 74 per cent (prior year: 75 per cent). Net sales generated outside Europe were down a marginal 2 per cent due to the drop in sales in the USA (prior year: €124 million). As in the previous year, this level of sales accounts for a 6 per cent share of total net sales.

Net sales by business area

in million €	2008	2007
New truck business	1,209	1,110
Income from short-term hire, sale of used equipment	332	310
After-sales services	604	581
Total	2,145	2,001

All the business areas contributed to the uptick in net sales. The largest gain was allocable to new truck business, which posted an increase of 9 per cent, followed by the used and short-term hire equipment operations, achieving a rise of 7 per cent. Posting a gain of 8 per cent, short-term hire activities made a somewhat stronger contribution to the rise in net sales. Net sales from after-sales services, which benefited from the continued increase in Jungheinrich truck market penetration above all in Europe, grew 4 per cent. Their share in total net sales declined slightly due to the strong rise in new truck business, slipping to 28 per cent (prior year: 29 per cent).

Cost structure (according to the income statement)

in million €	2008	2007
Cost of sales	1,552	1,421
Selling expenses	399	369
Research and development costs	42	40
General administrative expenses	28	29

The cost of sales was up 9 per cent to €1,552 million (prior year: €1,421 million), slightly outpacing consolidated net sales. Burdens arising from high material prices, with steel and copper products leading the way, as well as for plastics, were offset to a certain degree by the slight improvement in the company's cost structure. Furthermore, the share of consolidated net sales accounted for by the cost of sales advanced to 72 per cent (prior year: 71 per cent), driven by the strong growth in sales generated in the lower-margin new truck business. Selling expenses also posted a slightly disproportionate increase, climbing 8 per cent to €399 million (prior year: €369 million). Their portion of Group net sales amounted to 19 per cent.

As shown in the following table, at €39 million, the Group's total research and development costs were below the previous year's level (€41 million). The capitalization ratio was down to 14.1 per cent (prior year: 24.2 per cent). As a result, research and development costs according to the income statement rose by over €2 million to €42 million (prior year: €40 million).

Research and development costs

in million €	2008	2007
Total research and development costs	39.0	40.9
thereof capitalized development costs	5.5	9.9
Capitalization ratio	14.1 %	24.2 %
Depreciation of capitalized development costs	8.6	8.9
Research and development costs according to the income statement	42.1	39.9

General administrative expenses posted a marginal decline, dropping by 3 per cent to €28 million (prior year: €29 million).

Earnings, asset and financial position

Earnings position

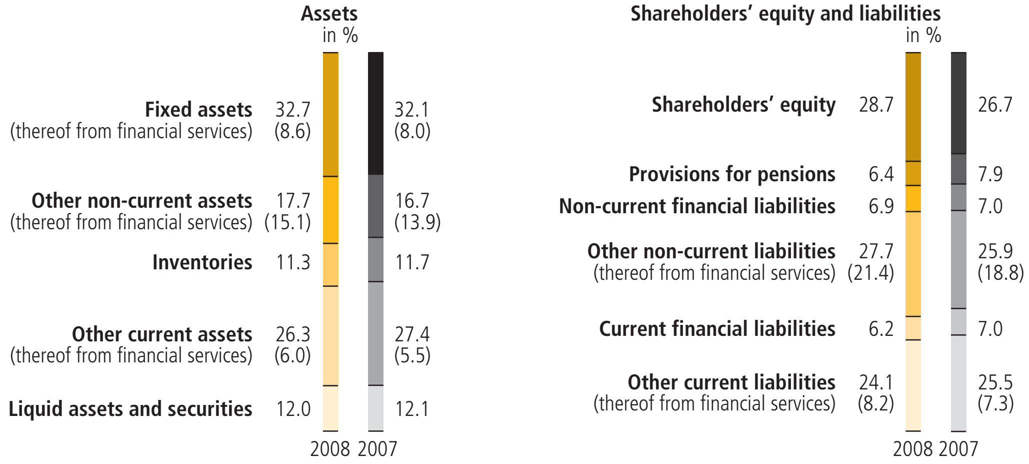
The Jungheinrich Group's earnings developed as follows:

in million €	2008	2007
Gross profit on sales	592.6	579.7
Earnings before interest and income taxes (EBIT)	121.8	139.5
Financial income	– 0.3	– 1.0
Earnings before taxes (EBT)	121.5	138.5
Income taxes	44.7	56.9
Net income	76.7	81.6

The Jungheinrich Group closed fiscal 2008 with its second-best earnings after the record achieved in the preceding year. In the first half of 2008, the earnings trend still benefited from higher incoming orders and a rise in the factories' production output. In contrast, certain factors started having an effect in the second six months—above all higher material prices and lower production caused by the weak economic cycle. Among other things, preparatory work done to tap the Chinese and Russian growth markets had an impact as well. The gross profit on sales rose by a mere €13 million, or 2 per cent, to €593 million (prior year: €580 million).

Moreover, one must take into account the additional expenses incurred in connection with the CeMAT trade fair in 2008. Another negative influence was exerted by the rise in research and development costs compared with last year's corresponding level. Moreover, the effect of deconsolidating a foreign holding company resulted in a one-off charge of over €2 million.

Balance sheet structure



Earnings before interest and taxes (EBIT) declined by 13 per cent to €122 million (prior year: €140 million). By consequence, the EBIT return on sales declined to 5.7 per cent (prior year: 7.0 per cent). EBITDA (earnings before interest, taxes, depreciation and amortization), which reflect operating income affecting liquidity, rose by €17 million to €292 million (prior year: €275 million) in the year under review. Earnings before taxes (EBT) fell to €122 million (prior year: €139 million). The financial result was almost flat, compared to the slightly negative figure recorded a year earlier. The Group's income taxes decreased more than EBIT to €45 million (prior year: €57 million). The tax quota dropped to 36.8 per cent (prior year: 41.1 per cent). Net income thus only declined by 6 per cent to €77 million compared with the preceding year (prior year: €82 million). The Board of Management of Jungheinrich AG proposes to pay the shareholders a marginally reduced dividend of €0.49 per ordinary share and of €0.55 per preferred share, both €0.03 lower than in the preceding year. The proposal thus adheres to the principle of dividend continuity.

Asset and financial position

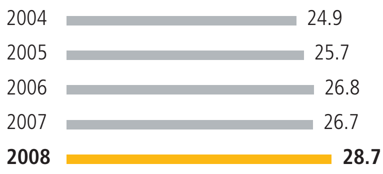
Jungheinrich AG is in charge of operations and strategic financial management for the Group and its subsidiaries. Financial resources and payment flows of domestic and foreign Group companies are optimized as regards interest and currency aspects via a cash and currency management system. Financing needs in the short, medium and long term are covered on international money and capital markets, exhausting all possible financing options.

In fiscal 2008, the Jungheinrich Group's asset and financial positions were primarily characterized by the continued expansion of the Group's business and the fact that its earnings trend was still good. By year-end, the balance sheet total had risen by €106 million to €2,179 million (prior year: €2,073 million).

In connection with the figures stated for the financial services business, it must be noted that, in accordance with IFRS, depending on the type of lease, long-term leasing and rental agreements concluded with customers and Jungheinrich companies directly or via leasing companies must be carried as fixed or current assets (as trucks for lease or as receivables from financial services). The refinancing of these long-term customer agreements is done with identical maturities and disclosed as liabilities from financial services. This extends the balance sheet. Furthermore, deferred sales stemming from sales proceeds already generated with an intermediate leasing company are stated under deferred income. Cash flows form customer contracts are largely congruent with refinancing instalments paid to lending institutions in this business.

The volume of the lease business' contracts outstanding throughout Europe grew by 10 per cent to 92,900 forklift trucks (prior year: 84,400 units). This corresponds to an original value of €1,451 million (prior year: €1,332 million).

Equity ratio
in %

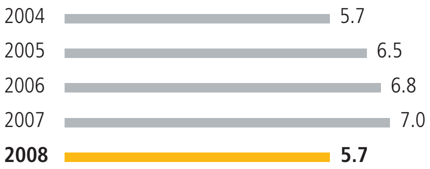


Asset structure of the Jungheinrich Group in million €	**Dec. 31, 2008**	**Dec. 31, 2007**
Non-current assets	**1,099**	**1,013**
Fixed assets	713	666
Receivables from financial services	329	288
Other non-current assets	57	59
Current assets	**1,080**	**1,060**
Inventories	247	243
Trade accounts receivable	385	413
Receivables from financial services	131	114
Other current assets	55	39
Liquid assets and securities	262	251
Balance sheet total	**2,179**	**2,073**

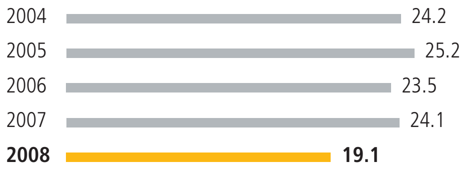
Fixed assets increased by €47 million to €713 million (prior year: €666 million). The lion's share of this rise was due to the expansion of the short-term hire and lease business as well as to investments in plants, with the construction of a factory for battery-powered low-platform trucks in Landsberg near Halle (Saxony-Anhalt) leading the way. Non-current and current receivables from financial services were up by a total of €58 million to €460 million as a result of business growth (prior year: €402 million). A significant portion of the rise was allocable to Jungheinrich's financial services company in the United Kingdom once the operation had been taken over and put under Jungheinrich management. Inventories advanced marginally to €247 million (prior year: €243 million) owing to the economic downturn in the second half of 2008. Current trade accounts receivable declined by €28 million to €385 million (prior year: €413 million) as a result of the reduction in overdue accounts receivable at the end of the year. Cash and cash equivalents (liquid assets and securities) were up a marginal €11 million to €262 million (prior year: €251 million).

Capital structure of the Jungheinrich Group in million €	**Dec. 31, 2008**	**Dec. 31, 2007**
Shareholders' equity	**625**	**554**
Non-current liabilities	**893**	**844**
Provisions for pensions and similar obligations	140	164
Financial liabilities	150	144
Liabilities from financial services	465	390
Other long-term liabilities	138	146
Current liabilities	**661**	**675**
Other current provisions	108	111
Financial liabilities	135	146
Liabilities from financial services	178	151
Trade accounts payable	117	140
Other current liabilities	123	127
Balance sheet total	**2,179**	**2,073**

EBIT return on sales
in % (ROS)



EBIT return on capital employed
in % (ROCE) [1]



1 EBIT as a % of the interest-bearing capital employed (excluding liabilities from financial services and provisions for pensions).

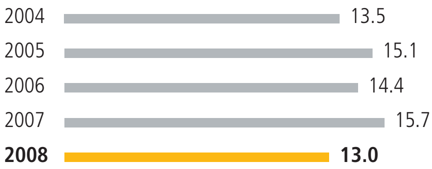
The development of shareholders' equity, which rose by €71 million to €625 million (prior year: €554 million), was determined by the strong net income and currency effects as well as the dividend payment for fiscal 2007. The equity ratio improved to 29 per cent (prior year: 27 per cent) despite the higher balance sheet total. As of the balance sheet date, 122 per cent of intangible and tangible assets and equipment for short-term hire were covered by shareholders' equity (prior year: 114 per cent). The Jungheinrich Group was capable of meeting its payment obligations at all times. This was all the more important against the backdrop of the increasingly severe international financial crisis: The Jungheinrich Group managed to secure financing beyond the extent to which this was required in the period under review. Excluding accounts payable for financial services, which were covered by accounts receivable from customers, the company had a low level of net indebtedness. As in the previous year, Jungheinrich's indebtedness ratio, defined as the relation of net indebtedness to EBITDA, was less than 0.1 years (prior year: 0.1 years). Provisions for pensions dropped to €140 million (prior year: €164 million) owing to a one-time transfer to the UK pension fund. Other long and short-term provisions decreased to a total of €150 million (prior year: €156 million). The Group's non-current and current financial liabilities were down a marginal €5 million to €285 million (prior year: €290 million). Including a total of €262 million in cash and cash equivalents and securities, net financial liabilities were reduced to €23 (prior year: €39 million). Trade accounts payable declined by €23 million to €117 million (prior year: €140 million) because the purchasing volume had already been reduced by year-end and obligations resulting from outstanding invoices decreased. Non-current and current liabilities from financial services climbed by €102 million to €643 million in line with business growth (prior year: €541 million).

The Jungheinrich Group's complete balance sheet is included in Jungheinrich AG's consolidated financial statements.

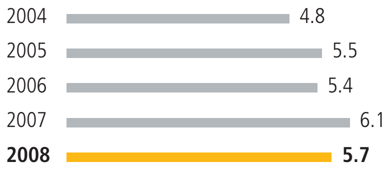
Statement of cash flows

in million €	2008	2007
Net income	77	82
Depreciation and amortization	170	136
Changes in trucks for short-term hire and trucks for lease (excl. depreciation) and receivables from financial services	– 221	– 218
Changes in liabilities from financing financial services and trucks for short-term hire	134	131
Other changes	– 28	– 24
Cash flows from operating activities	**132**	**107**
Cash flows from investing activities	**– 138**	**– 60**
Cash flows from financing activities	**– 47**	**– 36**
Net cash change in cash and cash equivalents	**– 53**	**11**

Return on equity after income taxes
in %



Return on total capital [1]
in %



1 Not including financial services.

Cash flows from operating activities totalled €132 million—€25 million up on the €107 million posted in the previous year. This was predominantly due to the €34 million increase in depreciation and amortization, which also compensated for the slight decline in earnings. The small €3 million increase in funds tied down due to the change in the number of trucks on short-term hire and lease and in receivables from financial services was offset by an equally high inflow of funds resulting from the change in liabilities from financial services and the financing of trucks for short-term hire. At –€138 million, cash flows from investing activities were €78 million up on the previous year's level (–€60 million). €63 million thereof was due to investments of cash and cash equivalents in securities with final maturities in 2009 and the high level of capital expenditures by the new production plant in Landsberg (Saxony-Anhalt). Cash flows from financing activities amounted to –€47 million (prior year: –€36 million) and stemmed from the decrease in liabilities due to banks and financial loans as well as the dividend payment of €18.6 million (prior year: €17.3 million). Taking cash investments in securities into account, the net cash change in cash and cash equivalents was +€10 million (prior year: +€11 million).

The detailed statement of cash flows is included in the consolidated financial statements of the Jungheinrich AG.

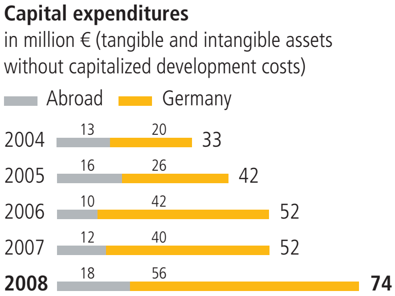
The Jungheinrich Group's value added developed as follows:

in million €	2008	%	2007	%
Source				
Total Group output [1]	2,201	100.0	2,043	100.0
Cost of materials and equipment	1,274	57.9	1,171	57.3
Depreciation	170	7.7	136	6.7
Net value added	**757**	**34.4**	**736**	**36.0**
Usage				
Employees	595	78.6	564	76.7
Public sector	45	5.9	57	7.7
Lenders	40	5.3	34	4.6
Shareholders	19	2.5	17	2.3
Group	58	7.7	64	8.7
Net value added	**757**	**100.0**	**736**	**100.0**

1 Including interest and similar income, other operating income and income from investments.

The value added statement shows the work performed by Jungheinrich in the financial year being reviewed, minus all advance work and depreciation.

Added value created by the Jungheinrich Group in the fiscal year that just ended amounted to €757 million (prior year: €736 million). It was 3 per cent higher than in the preceding year. The usage shows that the lion's share of value added (€595 million, or 79 per cent) was used for employees (prior year: €564 million, or 77 per cent). The public sector received €45 million, or 6 per cent (prior year:



€57 million, or 8 per cent). Lenders partook of €40 million, or 5 per cent (prior year: €34 million, or 5 per cent). About €19 million was dedicated to shareholders (prior year: €17 million). €58 million, or 8 per cent, of value added remained within the Group for internal financing purposes (prior year: €64 million, or 9 per cent).

Return on sales and capital

Key return indicators of the Jungheinrich Group

in %	2008	2007
EBIT return on sales (ROS)	5.7	7.0
EBIT return on capital employed (ROCE)	19.1	24.1
Return on equity	13.0	15.7
Return on total capital employed	5.7	6.1

EBIT return on sales (ROS) = EBIT : Net sales x 100
EBIT return on capital employed (ROCE) = EBIT : Employed interest-bearing capital [1] x 100
Return on equity after income taxes = Net income : Average shareholders' equity x 100
Return on total capital employed = Net income + interest expenses : Average total capital x 100
1 Shareholders' equity + financial liabilities +/– other liabilities/receivables vis-à-vis affiliated and associated companies – notes receivable – liquid assets and securities.

The Jungheinrich Group's key return indicators deteriorated as a result of the decline in earnings and above all the strong increase in volume in the lower-margin new truck business. Jungheinrich's return on sales (ROS) dropped to 5.7 per cent (prior year: 7.0 per cent). The corresponding return on interest-bearing capital employed (ROCE) was below the Group's long-term ROCE target of 20 per cent, amounting to 19.1 per cent and was thus much lower than in the preceding year (24.1 per cent). The return on shareholders' equity decreased to 13.0 per cent, following 15.7 per cent in 2007. The return on total capital employed, adjusted to exclude liabilities and net interest income from financial services, declined to 5.7 per cent (prior year: 6.1 per cent).

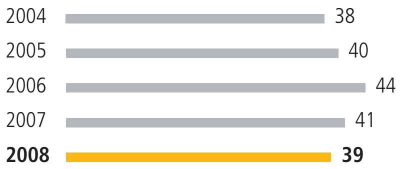
Capital expenditures

In the year under review, capital expenditures on tangible and intangible assets—net of capitalized development costs—rose by €22 million to €74 million (prior year: €52 million). Consequently, the capital spending-to-sales ratio advanced to 3.4 per cent (prior year: 2.6 per cent). The lion's share of capital expenditures was allocated to the construction of the factory in Landsberg near Halle (Saxony-Anhalt) and an even split between the expansion of the production sites in Norderstedt (Schleswig-Holstein) and Moosburg (Bavaria). In addition, Jungheinrich invested in the continued expansion of its sales companies—above all outside Germany.

Research and development

In fiscal 2008, the Jungheinrich Group continued to invest heavily in the development of its products. Spring 2008 saw Jungheinrich present new products from all segments to the international expert audience at CeMAT in Hanover, the world's largest and most important intralogistics trade show. Evidence of the company's innovative prowess is confirmed by positive customer feedback on the new generation of

Research and development expenses
in million €



IC engine-powered trucks with hydrostatic drive trains. At €39 million, the Jungheinrich Group's expenditures on research and development including development-related preparatory work and services rendered by third parties was nearly on par with the year-earlier level (€41 million). This represented 4.0 per cent of sales generated from new truck business in the year under review, which rose significantly (prior year: 4.5 per cent). Last year, an average of 340 people worked in the field of research and development (prior year: 350).

Engineering tasks in the 2008 reporting year focussed on new developments for counterbalanced trucks aiming primarily to improve energy efficiency and energy management. Eighty-four patent applications were filed in 2008 (prior year: 127), and 89 patents were granted (prior year: 65). This enabled innovations to be turned into significant product improvements which help increase customer benefits substantially. Development departments focused on the following fields of activity during the reporting period:

Fundamental research

Central areas of research dealing with new, efficient drive systems were addressed in the year under review. They were one of the main points of focus of development activity. Promising energy systems based on lithium-ion batteries were explored and engineered. Moreover, the possibilities of raising drive train efficiency while increasing turnover rates were studied. The first findings were implemented in the 'Concept '08' truck study at CeMAT in the spring. This fully functional low-platform truck is based on a drive concept mating a lithium-ion energy storage with a highly economical direct drive train. Further alternative drive concepts such as fuel cell and hybrid drive trains were examined for reliability and profitability. Jungheinrich thus underscored its expertise in the field of efficient drive systems.

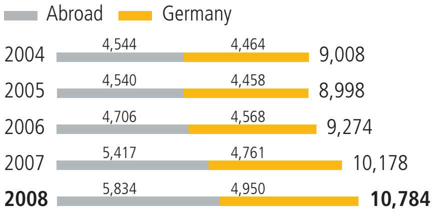
Logistics systems offer Jungheinrich a viable way to expand its product range. Intelligently linking warehouse management systems, payload carriers and material handling equipment opens the door to substantial efficiency improvements in logistics. For instance, multi-pallet tracking based on an RFID (Radio Frequency Identification) antenna integrated in the fork. The inclusion of modern information technology in forklift trucks will significantly enhance their future marketability.

Another main area of development work was dedicated to reducing life cycle costs. This included testing service tools enabling affordable increases in truck availability. We expanded the test and development centre in Norderstedt by adding a large-scale noise-measurement laboratory in our quest to improve product quality.

Product engineering

A special highlight in the period under review was the market launch of a new battery-powered counterbalanced truck. Thorough design work led to a 20 per cent reduction in energy consumption. Among the bases for this were the development of innovative battery-management technology and the use of a special electric steering system.

Employees
As of Dec. 31



Newly developed IC engine-powered forklifts with payload capacities between 6 and 9 metric tons predominantly distinguish themselves by their new electronically controlled diesel engines and maintenance-friendly tilting cabin. Our successfully introduced hydrostatic drive technology will be incorporated in additional model series.

In the future, products adapted to market needs which are manufactured locally will expand the product portfolio in order to ensure the company's success in the world's major growth regions. A new battery-powered counterbalanced truck designed for the Chinese market premiered at CeMAT ASIA.

In the specialized truck sector, the latest RFID technology, the advantages of efficient drive trains, and additional safety features were integrated in a new high-platform order picker.

A special reach truck with superelastic tyres for combined hall and yard applications fitted with cutting-edge technologies rounds out the new generation of reach trucks.

New intralogistics concepts for supplying assembly lines with tractors (milk run concept) require the product portfolio to be expanded resolutely. By introducing a full line of tow tractors with trailer payloads of 1 to 25 metric tons, Jungheinrich put itself in a position to satisfy all customer wishes in this segment.

Employees

Employees by division

	Dec. 31, 2008	Dec. 31, 2007
Sales and Marketing	7,903	7,419
Production	2,389	2,269
Service Centre/Administration	492	490
Total	10,784	10,178

The Jungheinrich Group's workforce expanded even further in the 2008 financial year. Headcount, which surpassed the 10,000-employee mark for the first time in 2007, had risen by over 600 to 10,784 staff members by December 31, 2008 (prior year: 10,178). This figure included 290 trainees (prior year: 267). The increase is proof of the significance Jungheinrich continues to attach to training young adults. Two thirds of the jobs created were allocable to the expansion of the foreign sales and service network, including the growth regions of Eastern Europe (Russia and Poland) and Asia, with China taking centre stage. Furthermore, the Moosburg (Bavaria) production plant markedly increased its headcount. As before, up to 600 temporary staff were on the payroll to adapt to demand flexibly, some 70 per cent of whom worked at the Norderstedt and Moosburg manufacturing sites. By year-end, the temporary workforce had decreased to just over 400 employees, owing to the cyclically-induced drop in demand for material handling equipment. As in the previous year, 73 per cent of the labour force worked in sales, with production still accounting for 22 per cent. More than 3,500 service engineers (prior year: over 3,300 employees) worked in the Sales Division. As in the preceding year, 45 per cent of personnel worked in after-sales services.

Employees by region

in %	Dec. 31, 2008	Dec. 31, 2007
Germany	45.9	46.8
France	9.0	9.1
UK	7.5	7.9
Italy	7.5	7.6
Rest of Europe	25.8	24.8
Overseas	4.3	3.8
Total	100.0	100.0

At the reporting cut-off date, 5,834 (prior year: 5,417) staff members worked outside Germany, while 4,950 (prior year: 4,761) were employed within the country. Thus, about 46 per cent of the labour force worked in Germany. In the rest of Europe, France accounted for the biggest share (9 per cent) as in the previous year, followed by the UK and Italy, each with about 8 per cent. The proportion of employees working overseas rose to more than 4 per cent owing to the increased expansion. Since Jungheinrich AG is a member of the German Employers Association, the collective bargaining agreements reached in 2008 were adopted for our German business. The collective bargaining agreement expires on April 30, 2010.

Purchasing and logistics

In 2008, Jungheinrich was faced with a steep rise in the price of steel, copper, lead, aluminium and crude oil, all of which led to higher purchasing prices. August and September saw the price of steel peak at 50 per cent above the 2007 average. Price increases were passed through to the market via escalator clauses for numerous products. The other price rises were kept below the corresponding raw materials' price indices. Since the commodity price boom began to weaken as early as in the fourth quarter of 2008, Jungheinrich was able to place a substantial volume of orders with suppliers at significantly reduced prices in November and December.

In the 2008 reporting period, purchasing was up 5 per cent to €1,420 million compared with the preceding year (prior year: €1,348 million). Production material used merely posted a marginal gain, accounting for approximately 42 per cent of the aggregate procurement volume. Conversely, commodity sourcing increased by 20 to 30 per cent, depending on the product group.

Electronic media usage in procurement was markedly up in 2008. All of the production plants were already making use of electronic order data transmission to suppliers. Planning security was improved substantially thanks to the automated order confirmation process. A larger number of small orders was placed in order to reduce inventory. Concurrently, increased use was made of the option to place orders electronically via internal catalogues, simplifying order processing considerably. The manufacturing plants' security of supply was improved substantially in 2008 once again. This development is reflected in supplier evaluations, which gave supply reliability and quality issues the best ratings ever.

The Jungheinrich Group made large-scale investments in 2008. Negotiations were conducted successfully for projects including those at the Hamburg and Norderstedt sites and for the construction of the Landsberg factory since purchasing was involved from the beginning. Furthermore, purchasing played an active role in capex activity relating to IT infrastructure and additional projects. Besides being implemented on schedule, projects were completed without exhausting budgets.

Jungheinrich stepped up direct supplies to customers in Central Europe. Moreover, justice was also done to the trend towards global business expansion in logistics by increasing both overseas and Eastern European freight traffic. Cost and quality-conscious standardization contributed to improving distribution efficiency and quality.

Quality management

In the financial year that just ended, the company accelerated the expansion of standardized quality monitoring using SAP BW (Business Information Warehouse). The existing system was methodologically refined in the areas of life cycle reporting and day-accurate real-time reporting. This will provide Jungheinrich with supplementary market data for development and quality planning. Furthermore, real-time mapping enables extremely fast implementation of customer and market activity. In response to Jungheinrich's mounting international market presence, in 2008, groundwork was done to include non-European sales countries in SAP BW-based quality monitoring in the future.

Other quality management activities concentrated on the production sites being established within the Group. Comprehensive quality planning across all processes and areas was carried out at an early stage for the factory in Landsberg near Halle (Saxony-Anhalt) and for the expansion of production capacity at the Qingpu (China) plant, prior to the scheduled start of series production in 2009. Thanks to this introduction, Jungheinrich's high quality standards are secured in the Group's new manufacturing sites from the very beginning. Plans envision the Landsberg factory obtaining certification to the established quality standards for plants (ISO 9001) and the environment (ISO 14001) in the second half of 2009.

As planned, all of Jungheinrich's management system documents were migrated to the new SAP Knowledge Warehouse platform in 2008. Process-oriented alignment and system functionality in our factories and international sales organization were inspected several times by our partner SGS (Société Générale de Surveillance) to attain 'Sales and Service Europe' certification.

Environmental management

Jungheinrich views environmental protection as an important part of its business activity. As a company with global operations, Jungheinrich strives to fully tap the potential to protect the environment throughout the Group with a lasting effect and to help conserve natural resources. In 2008, Jungheinrich achieved further reductions in energy consumption, CO_2 emissions and solvent discharge by taking a number of resolute measures in the field of environmental management.

Gas consumption was markedly reduced through the use of special heat insulation in existing buildings on factory premises. A new compressor room was designed at the plant in Moosburg (Bavaria) to enable the compressor's waste heat to be used to heat the factory halls. The progressive switch to hydro paints gives rise to the expectation of sustainable reductions in solvent discharge in this area.

The rollout of the service engineer dispatch system in Germany and other European countries was continued in 2008. This has enabled optimized route planning, leading to both time and fuel savings when deploying service engineers, the latter lowering CO_2 emissions considerably. Results achieved by this measure, which will be introduced to additional country operations in 2009, demonstrate how effectively the ecology and economy can be reconciled over the long term.

Data privacy

Jungheinrich ensures the privacy of personal customer and employee data on the basis of the applicable statutory regulations. Pursuant to the Group's security policies, every executive and employee is obligated to handle the personal data of customers, companies and co-workers responsibly. In the year under review, the Jungheinrich Group's entire staff was reminded of this and obliged to ensure compliance. Enquiries received from customers on data privacy issues were reviewed and responded to by the Group's data privacy officer. Furthermore, existing processes and directories of companies in and outside of Germany were updated accordingly and published. All of the data privacy coordinators were continuously made aware of possible changes in legislation and new problematic issues. As in prior years, the Corporate Audit Department performed sample audits to ensure compliance with data privacy regulations in all sales companies, plants and centralized units in Germany and abroad: No major criticism or infringements of the Group's internal provisions were identified.

Compliance

Compliance in the Jungheinrich Group is accounted for, coordinated and ascribed high importance by the Board of Management and the Supervisory Board. An internal task force redefined the tasks required to ensure compliance, scrutinized them to determine their necessity for the Jungheinrich Group, and enhanced them to ensure they met the current performance targets. The compliance system's objective is to detect infringements against guidelines and laws and take action to prevent this from happening. To this end, the Board of Management and the Chief Compliance Officer (CCO) expressly called on all executives to adhere to internal and external guidelines more stringently and to take this into account in their ongoing decision-making. Furthermore, all of the Jungheinrich Group's personnel were informed of the newly established internal notification system. Since the beginning of the year, employees have been able to inform the Board of Management or CCO of potential irregularities so that preventive action can be taken. As prescribed by the system, the Group audit department reviews and follows up on all incidents chronologically. Changes implemented have already allowed for processes to be improved and rendered safer. Reports on this activity are regularly submitted to the Board of Management and the Supervisory Board's Audit Committee.

Risk report

Due to its growing international business activities, the early detection of risks and the development of measures to counter them are an important element of Jungheinrich Group management. Basic principles and courses of action have been defined in a groupwide guideline within the scope of a risk management system. Jungheinrich's early risk-detection system is examined for functionality and effectiveness as part of the annual audit of the financial statements. Findings derived from this audit are taken into account as the Jungheinrich-specific risk management system is continuously refined.

Risk management

The risk management system at Jungheinrich is an integral part of the company's management, budgeting and controlling processes. They consist of the following elements:

- Group Risk Management Guideline
- Group Risk Committee
- Operative inventory of opportunities and risks of the sales and production companies
- Central inventory of opportunities and risks of the people responsible for the divisions and the directors of the corporate functions
- General Group reporting structure

The managers of the operating companies are responsible for risk management within their units. Besides addressing risk-related issues at management board meetings, they are obliged to take inventory of risks three times a year as part of their reporting over the year. The inventories consider both risks and opportunities, which present a realistic picture of the most current risk situation. When taking inventory for the first time in a year, opportunities and risks are assessed based on planned results. Inventories taken thereafter are assessed on the basis of the latest forecast. These assessments are condensed to a Group risk inventory, taking appropriate threshold values into account. The Group Risk Committee, on which the Board of Management is represented and which convenes quarterly, discusses the Group risk inventory and develops suitable measures. A summary is made available to the Supervisory Board. Ad-hoc risk reports must be immediately submitted to the Group Risk Committee whenever risks exceeding certain threshold values are not covered by the risk inventories.

Risk categories

The analysis of the most recent risk inventory, compiled in 2008 by the Risk Committee, revealed that there are still no risks that could jeopardize the Jungheinrich Group's continued existence. Risk classes that are material to the Jungheinrich Group are listed below. These also include risks that have gained importance above all owing to the financial crisis. They include risks associated with company financing, liquidity, residual values, counterparty defaults, currency and suppliers.

General and sector-specific risks

Contrary to Jungheinrich's diverse service business, the manufacture and sale of new trucks strongly depend on cyclical demand. Therefore, the development is constantly monitored and evaluated based on regular estimates made concerning the material handling equipment market, the competitive environment and capital markets—especially with regard to fluctuations in currency exchange and interest rates—in order to detect indications of the future order trend. The permanent adaptation of production schedules and capacities to expected incoming orders is key to reducing risk. Also included in risk surveys are potential changes to the subsidiaries' financial situation stemming from market developments.

Triggered by the intensification of the international banking and financial crisis, the global economic downturn had a delayed effect on the material handling equipment industry. In the fourth quarter of 2008, the world market shrank by some 40 per cent, with Europe's market volume contracting by more than 30 per cent. Market declines in some Eastern European countries were much more significant. As evidenced once again by the first two months of this year, the size of the material handling equipment, warehousing and material flow technology markets of relevance to Jungheinrich can be expected to be much smaller overall in 2009, compared with 2008. Based on appropriate risk scenarios, Jungheinrich prepared itself to deal with the deterioration in basic conditions and initiated measures in good time, in order to react to the impending consequences. Besides trimming temporary staff and work time account balances as well as introducing short-time work, an investment project designed to expand capacity was postponed for the time being. The unusually weak economic development will also have an impact on the short-term hire and used equipment business, albeit to a slightly lesser extent. Thanks to its high proportion of services from a single source with fairly stable shares of sales, the Jungheinrich business model demonstrates its special strength, especially in recessionary phases.

Long-term prospects of sustained growth in logistics resulting from the increasing division of labour brought about by globalization exist despite the financial and economic crisis. A rising number of countries has a mounting need for modern material handling technology and logistical systems. Thanks to its up-to-date and innovative range of products, its broad international customer base, and its positioning as a full-line supplier and intralogistics service provider, Jungheinrich is well equipped to significantly partake of this development as well.

Consolidation continues to progress in the material handling equipment sector, as recently evidenced by the acquisition of a warehousing technology specialist by a competitor in the period being reviewed. This will intensify crowding-out and price-based competition even further. On the strength of its business model, Jungheinrich is convinced that it is well positioned to prevail against the fierce competition in this context as well.

Operational risks

The consolidation of demand witnessed for several years causes the pressure on prices on the market to rise and thus constitutes an ongoing risk, not just in times of a slack market environment as these. The Jungheinrich Group reacts to this situation mainly by expanding its direct sales and service offerings. This improves market penetration and customer loyalty.

The rising trend among customers to lease new trucks will intensify in the year underway. The financial crisis will make it more difficult for customers to self-finance investments and obtain financial leeway. Jungheinrich's range of financial services offers the customer a sensible alternative against this backdrop. Potential default risks arising from such transactions later on are limited via extensive creditworthiness checks before contracts are concluded and by taking out credit insurance for sizeable projects. Bad debt occurring despite these efforts can be kept low by recovering trucks early on and reselling them as used equipment. The residual value risk that may result from differences between the carrying amount and market price of leased products is reviewed on a quarterly basis. If the present market value is below the guaranteed residual value, this risk is covered by building suitable provisions and making valuation allowances on used equipment inventories when preparing the balance sheet. A Europe-wide lease agreement database ensures the uniform assessment of risks associated with financial service contracts throughout the Group.

In 2008, Jungheinrich had a short-term hire fleet of an average of approximately 26,000 trucks. The risk of prolonged standstill was minimized by constantly adapting the fleet's size and structure to market demand and customer requirements, thus ensuring a high degree of utilization.

Procurement and purchasing risks

Major risks result from increases in the price of raw materials, components and commodities as well as from quality-related problems and supplier defaults. As in the preceding year, attention was mainly directed to the substantial rise in steel, lead, copper, aluminium, fuel and energy procurement costs. Strong demand for raw materials and associated price hikes on world markets persisted in the first half of 2008, before relenting over the remaining course of the year due to the worldwide economic cooldown. Material prices continued to rise despite the onset of the decline in demand, owing to lead times for materials purchasing at production plants and in the central sourcing of spare parts supplied to the Jungheinrich service network groupwide. Jungheinrich partook of the steep downward trend at the end of November and in December 2008, placing orders for the most important components at reduced purchasing prices. The lower price level will have a positive effect on fiscal 2009, especially in the second six months. There were no supply bottlenecks in the period under review. The quality of incoming goods has improved considerably. This resulted in a more favourable supplier assessment. Only a few vendors are in financial difficulty, despite the current financial and economic crisis. However, Jungheinrich is inclined to expect the situation to deteriorate and therefore stays in very close contact to its suppliers, in order to be in a position to react in good time if necessary.

Financial risks

Interest rate and currency risks are the major risks in this category. They are monitored regularly. Changes in interest and currency exchange rates expose the Jungheinrich Group to operating risks which are controlled by a special risk management system. Jungheinrich makes use of financial instruments such as currency futures, currency swaps, currency options and interest rate swaps to control these risks. We have defined control mechanisms for the use of financial instruments in a procedural guideline based on the requirements imposed by the German Corporate Sector Control and Transparency Act (KonTraG) on company risk management systems. Among other things, it mandates the clear separation of trading, settlement, accounting and controlling.

In contrast, the international financial crisis is not materially affecting Jungheinrich's financing at present. The company's good creditworthiness and robust positioning were valuable assets in securing credit financing for the years ahead. In addition to a short-term line of credit, Jungheinrich has about €300 million in medium-term credit lines with maturities of three to seven years to finance its operating activities. This secures the financing of future growth as well. Credit margins are coming under increasing pressure owing to the banks' higher purchasing costs. Due to the high level of liquid assets, which Jungheinrich can use to meet its payment obligations at all times, the company has no liquidity risk exposure. Since Jungheinrich pursues a conservative investment policy throughout the Group, the company did not invest in securities (e.g. stocks) that are exposed to share-price or default risks.

The Group is exposed to a counterparty risk that arises from the non-fulfilment of contractual agreements by counterparties, which are generally international financial institutions. On the basis of their credit rating, which is determined by reputable rating agencies, no major risk ensues for Jungheinrich from the dependence on individual counterparties. The general credit risk from the derivative financial instruments used is considered to be negligible. Derivative financial instruments are exclusively used to hedge interest rate and currency risks. As of December 31, 2008, the Group had €178 million in currency hedges on its books (prior year: €109 million). Outstanding currency hedges largely have maturities of less than one year. Jungheinrich had €0.7 million in interest rate hedges for underlying transactions on its books as of December 31, 2008 (prior year: none).

More detailed commentary on financial instruments can be found in Jungheinrich AG's consolidated financial statements.

Legal risks

General contract risks are largely eliminated by applying groupwide policies. In addition, material contracts are centrally managed and legal advice is obtained on them by the departments responsible for them. We have not yet been able to end all of the lawsuits pending in connection with the discontinuation of MIC S.A.'s operating activity. At present, the company is not facing any material risks associated with litigation with third parties.

Events after the close of fiscal 2008

The massive collapse of the market also witnessed in the material handling equipment sector in the fourth quarter of 2008 continued unabated at the beginning of 2009, leading to declines in incoming orders in new truck business. Therefore, Jungheinrich decided to take measures going above and beyond adjusting production to reduced demand in the second quarter of 2009, namely to introduce short-time work across all manufacturing sites and make preparations for short-time work in corporate departments. Moreover, several technology-centric cost-related and structural projects were initiated with a view to cushioning the negative effects of the economic and sales crises.

Outlook and opportunities

Based on its projections for world trade, Jungheinrich expects to see a general stagnation of the economy in fiscal 2009. Whereas western industrial nations are exposed to a recession caused by the world financial and economic crisis nearly across the board, emerging regions such as Asia, with China and India leading the way, are likely to display a significant drop in momentum, recording only moderate economic growth. It is impossible to quantify the effects the major economic aid packages launched the world over will have on the world economy's future development or the direct or indirect impact this may have on the material handling equipment sector.

Estimated economic growth (GDP [1]) in %

Region	**2009**
World	0.5
USA	– 2.5
China	6.5
Eurozone	– 2.5 to – 3.0
Germany	– 3.0 to – 4.0

1 Gross domestic product. Source: Commerzbank.

In view of this economic scenario, our sector's economic prospects for 2009 remain gloomy. Irrespective of the substantial uncertainty in assessing the market, the world market for material handling equipment can be expected to shrink to far less than 700 thousand forklift trucks. The unit decline will prevail across all the world's sales markets, albeit to varying degrees. This market contraction will curtail Jungheinrich's sales potential accordingly. Nevertheless, the company is convinced that it is well equipped to prevail in a difficult market environment. Jungheinrich set the stage for solid financing early on in 2008, initiated measures to adjust production to the lower level of demand, and stepped up its inventory and cost management activities. Moreover, the continued rise in the Jungheinrich trucks' penetration of the pan-European market will have a positive impact on the after-sales services business, which has less cyclical exposure, and ensure that this business displays a relatively stable sales trend.

In 2009, the development of business will be determined by a steeper decline in demand in new truck business and manufacturing capacity utilization in the plants. On completion of the new manufacturing site in Landsberg near Halle (Saxony-Anhalt), full production capacity will be available across all lines towards the end of the year. In light of the market's weak constitution, construction of the new production site for warehousing and system equipment in Degernpoint near Moosburg (Bavaria) will be postponed until the economy picks up again. Expansion of the worldwide direct sales and service network will continue regardless of the sector's adverse environment, but it will be adapted to regional needs with good measure. The next step towards expanding the scope of our mail-order business is about to be taken. In sum, capital expenditures will be markedly lower than the previous year's level.

The Jungheinrich Group will maintain its high level of development activity and provide proof of its potential with respect to key technologies in 2009. This applies especially to drive technology, an area in which energy efficiency combined with enhanced performance takes centre stage. Once implemented, environmentally friendly drive concepts will make a valuable contribution to reducing CO_2 emissions. Moreover, the permanent renewal and expansion of the broad-based product range remains a major point of focus of Jungheinrich's development work.

In 2009, the earnings trend will be mainly determined by the worldwide decline in demand for material handling equipment and the substantial reduction of plant productivity resulting from it. The extent of the negative impact on new truck business will largely depend on the duration and severity of the recession on relevant markets. The continued decrease of the temporary workforce and work time account balances as well as the introduction of short-time work will provide for a certain degree of relief. Crowding-out and price-on-price competition will persist in view of the market's weak constitution. In contracts, the relief in raw material prices is likely to persist and have a positive effect in the second half of the year. In light of the difficult economic setting, Jungheinrich expects the overall business and earnings trend to be unfavourable in fiscal 2009.

Business volume can likely be expected to expand moderately in 2010. The prerequisite for this is that the global economic and sector-specific conditions stabilize and lead to economic recovery during the second half of 2009, also taking account of the substantial stability and economic programs initiated in many industrialized nations. This would contribute to improving the Jungheinrich Group's earnings trend. The material handling equipment sector will continue to be marked by fierce price-on-price competition. Should the world economy recover sooner than anticipated, the Jungheinrich Group would be able to benefit from the additional available manufacturing capacity and the resultant progress in productivity.

Unforeseen developments may cause the actual business trend to deviate from expectations, which are based on assumptions and estimates made by Jungheinrich company management. Factors that can lead to such deviations include changes in the economic and business environment, exchange and interest rate fluctuations, and the introduction of competing products.