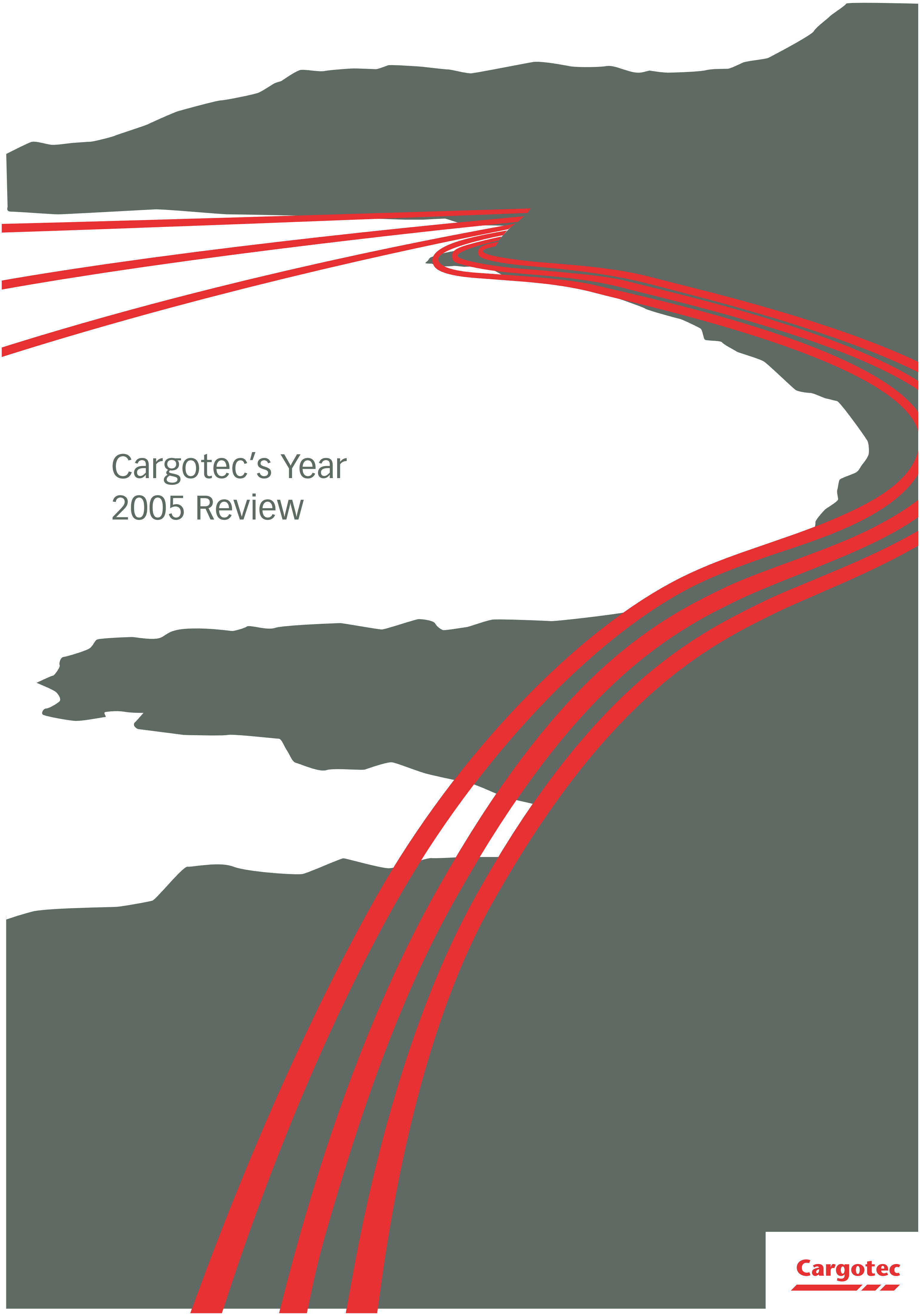
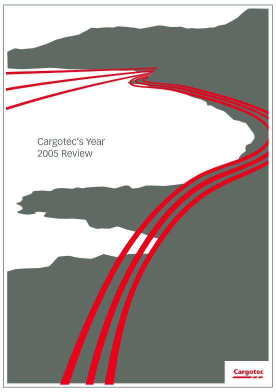
Cargotec's Year 2005 Review



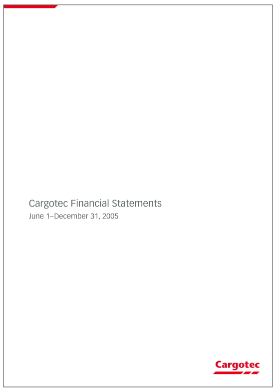
Cargotec

Cargotec Corporation was formed through the demerger of Kone Corporation on June 1, 2005 when it also was listed on the Helsinki Stock Exchange.



Cargotec's Year 2005 Review

Cargotec's Year 2005 Review (pro forma) contains information on Cargotec's performance for January–December 2005 based on its business and corporate structure following the demerger of Kone Corporation. The comparison figures for 2004 and 2003 have been calculated according to the same structure to facilitate the evaluation of the Company. Hence, MacGREGOR's marine cargo flow business acquired in spring 2005 is included in all comparison pro forma figures.



Cargotec Financial Statements Jun 1–Dec 31, 2005

Cargotec's first official financial period was June 1–December 31, 2005. The report for the period contains the Board of Directors' Report as well as information on the shares and the company's performance without comparison figures.

Annual General Meeting

Cargotec Corporation's Annual General Meeting will be held at the Marina Congress Centre, Katajanokanlaituri 6, Helsinki, on Tuesday, February 28, 2006 at 2:00 p.m. Shareholders wishing to attend the meeting must be registered on the Cargotec shareholder register at the Finnish Central Securities Depository no later than February 17, 2006. Shareholders must register to attend the meeting by mail (Cargotec Corporation, Shareholder register, P.O. Box 61, FI-00501 Helsinki, Finland), by fax (+358 (0)204 55 4275), by telephone (+358 (0)204 55 4284) or over the Internet (www.cargotec.com) no later than 4:00 p.m. on February 23, 2006. Any proxies must be submitted at the same time.

Dividend Payment

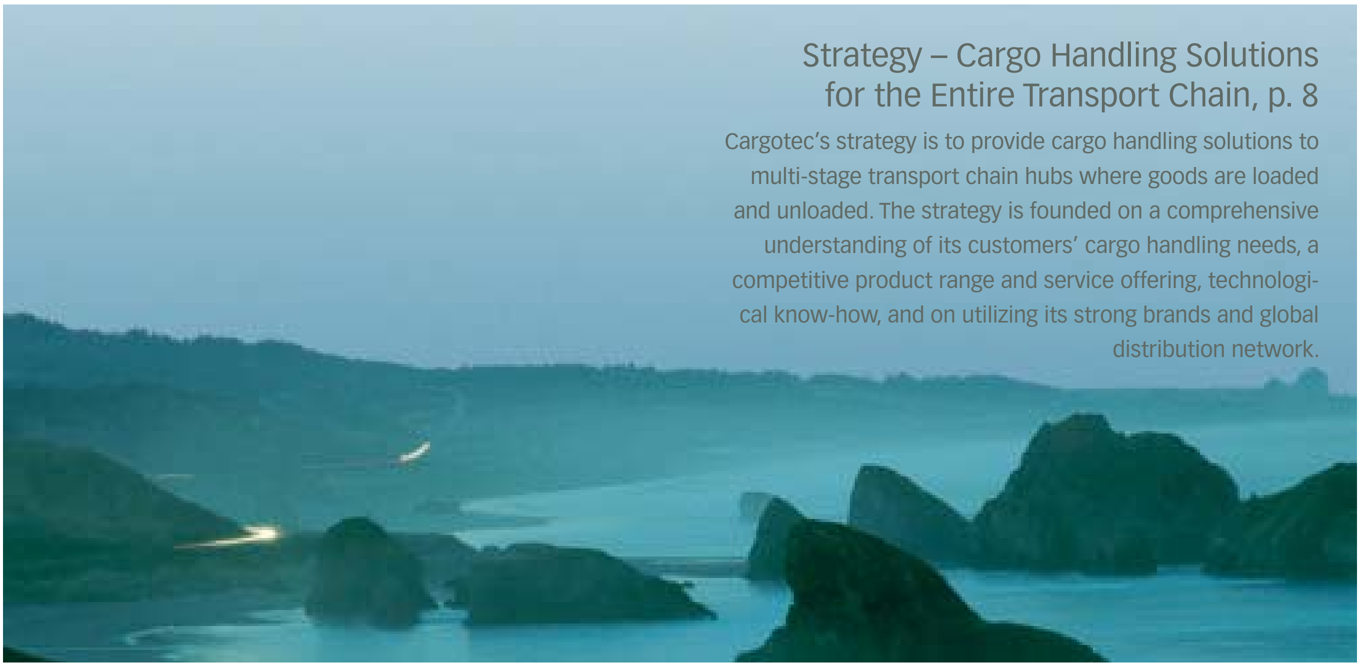
The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.64 per class A share and EUR 0.65 per class B share will be paid for the official financial period June 1–December 31, 2005. Only those registered as shareholders at the Finnish Central Securities Depository by March 3, 2006, the record date for dividend distribution, are entitled to dividends. The date proposed by the Board of Directors for the payment of dividends is March 10, 2006.

Financial Reports in 2006

Cargotec Corporation will publish the following financial reports in 2006 in English and Finnish:

- Interim report covering the period January–March 2006, on Monday, April 24, 2006
- Interim report covering the period January–June 2006, on Wednesday, July 19, 2006
- Interim report covering the period January–September 2006, on Thursday, October 19, 2006

The interim reports and stock exchange releases are available on the company's website at www.cargotec.com, where you can also request that the material be sent to your e-mail. In addition, financial reports can be ordered by mail from Cargotec Corporation, Investor Relations and Corporate Communications, P.O. Box 61, FI-00501 Helsinki, Finland, by e-mail from communications@cargotec.com, by phone from +358 (0)204 5511, or by fax from +358 (0)204 55 4275.



Strategy – Cargo Handling Solutions for the Entire Transport Chain, p. 8

Cargotec's strategy is to provide cargo handling solutions to multi-stage transport chain hubs where goods are loaded and unloaded. The strategy is founded on a comprehensive understanding of its customers' cargo handling needs, a competitive product range and service offering, technological know-how, and on utilizing its strong brands and global distribution network.

Market Review – Investments in Cargo Handling Continued Strong, p. 10

The world economy developed positively in 2005 and Cargotec's market environment was favorable. The favorable operating environment facilitated Cargotec's customers' investment decisions, keeping the demand for the company's cargo handling products and services strong. Competitive products, increased delivery volumes, and efficient assembly plant operations improved Cargotec's profitability.

Cargotec's Year 2005, p. 6

Cargotec was listed on the Helsinki Stock Exchange on June 1, 2005. The first Shareholders' Meeting was held on July 12, 2005 and the new Board of Directors was elected. Cargotec's net sales were MEUR 2,358.

Hiab, p. 14

Hiab is the world's leading supplier of load handling equipment and a one-stop load handling solutions. The demand for Hiab's products was strong in 2005 enabling the company to further consolidate its market position.

Kalmar, p. 18

Kalmar is the world's leading provider of container-handling equipment. The net sales increased substantially and growing demand for Kalmar's products was reflected also in services.

MacGREGOR, p. 22

MacGREGOR is the global market leader in providing marine cargo flow solutions and services. In 2005, the business became part of Cargotec. MacGREGOR's order book rose to a record high level.

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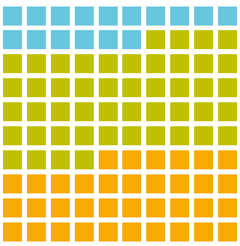
Cargotec in Brief

Cargotec is the world's leading provider of cargo handling solutions whose products are used in materials handling hubs such as local transportation, terminals, ports, distribution centres and ships.

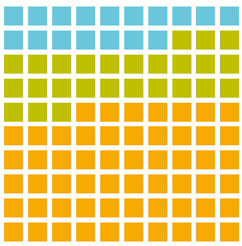
MacGREGOR focuses on the design, delivery and service of marine cargo flow solutions for shipyards, ship owners and ship operators. Its global network comprises over 50 service stations providing a versatile service offering.

Sales by Business Area



- Hiab 36%
- Kalmar 48%
- MacGREGOR 16%

Sales by Market Area



- EMEA 57%
- Americas 26%
- Asia Pacific 17%

Kalmar provides solutions for moving containers, trailers and heavy industrial materials. Kalmar has a broad range of heavy-duty material handling equipment and the industry's most extensive global service network.

Cargotec's operations are divided into three strong, global business areas, Hiab, Kalmar and MacGREGOR, each of which is the market leader in its own segment. Cargotec's market position is based on a comprehensive product range, technological leadership, and global operations and service supply. The company's brands are known around the world.

In 2005, Cargotec's net sales exceeded EUR 2.3 billion and operating income amounted to MEUR 179.4 excluding the capital gain from the sale of Consolis. The Group employs approximately 7,500 people and operates in more than 160 countries. Cargotec's class B shares are listed on the Helsinki Stock Exchange.

Cargotec aims at being the preferred partner of its customers. Its main customers include truck owner-operators, transportation companies, distribution centres, logistics companies, terminals, port operators, shipyards, ship owners, ship operators as well as heavy industry and defence industry. The demand for Cargotec products is based on sea transport, distribution and industrial material handling needs. Hiab, Kalmar and MacGREGOR each cater for various cargo handling and transportation needs in their own areas of expertise, providing a comprehensive range of products and an extensive distribution network based on customer requirements.

Hiab specializes in on-road load handling equipment and related maintenance services. Due to its comprehensive product range and extensive distribution network, Hiab is able to offer a solution for practically all the load handling needs of its customers.


MEDBULK


Ferrymasters
Services


10

CEO's Message

Dear Reader

In all respects 2005 was a year of success for Cargotec. The demand for our products and services remained strong. In addition, our business model focusing on product development, assembly, and services proved successful, and we managed to considerably increase our assembly plants' output in order to meet the high demand. Thanks to our flexibility, our net sales showed a record-high organic growth of 24 percent. At the same time, we were able to further improve our profitability, continuing the positive trend that we have witnessed for several years in a row. Our operating income from operations rose to EUR 179.4 million.

The acquisition of MacGREGOR has exceeded all our initial expectations, both in terms of business and profitability. MacGREGOR has successfully been made part of Cargotec, further strengthening our position as a global supplier of cargo handling solutions.

Cargotec's stock exchange listing required an extensive amount of work from various staff members over the year. When we look back at the outcome we can be justifiably proud. The demerger has clearly generated added value to our shareholders. The liquidity of Cargotec's share has also been good, reflecting the interest of the markets in our company. Approximately 80 percent of our class B shares were exchanged in June–December. I am confident that the demerger and subsequent stock exchange listing provided the organization with a boost that will continue to benefit our stakeholders in the years to come.

The Board of Directors elected by the first Shareholders' Meeting in July has energetically and enthusiastically encouraged and challenged us to further develop the company. Cargotec's goals continue to be growth exceeding the industry average, and an operating income margin of eight percent over the business cycle. In 2005, we clearly exceeded the growth target while our improved profitability brought us closer to our margin target.

After a year of significant changes, we look ahead. We want to grow profitably, both organically and through acquisitions, and further strengthen our position as the global market leader. Our view on the growing importance of the transport chain in product value chains has further strengthened. Our main focus will be on our customers and the services we provide to them. We aim at expanding our service business, and we will gradually increase our product assembly activities closer to customers. After having focused on the outsourcing of our component manufacturing for several years, the emphasis has shifted on to global purchasing activities in order to further improve our competitiveness.

Our well-trained, highly enthusiastic, and well-motivated personnel who are able to work in a global network have been and will continue to be key to our success. Consequently, we will continue to focus on recruitment and competence development, increasing our investments in these areas in the coming years.

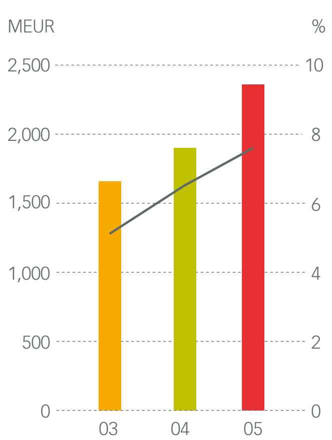
I wish to thank our customers and partners for their excellent cooperation in 2005. My special thanks go to our employees who made the year a huge success!
Let's continue profitable growth also this year.

Carl-Gustaf Bergström
President and CEO

Cargotec's Year 2005

Cargotec's most significant event in 2005 was the company's listing on the Helsinki Stock Exchange in June. In July, the new company held its first Shareholders' Meeting, where a new Board of Directors was elected. 2005 also saw the completion of several acquisitions and disposals. All of Cargotec's business areas secured major orders and continued to develop their service business. The company's net sales grew substantially, to EUR 2,358 million, while operating income from operations rose to EUR 179.4 million.

Net Sales and Operating Income (%*)



* 2005: excluding EUR 15.4 million gain from the sale of Consolis

Key Figures

	2005	2004	2003
Orders received, MEUR	2,385	2,337	1,848
Order book Dec 31, MEUR	1,257	1,219	807
Net sales, MEUR	2,358	1,900	1,658
Operating income, MEUR	179.4*	123.9	84.6
Operating income, %	7.6*	6.5	5.1
Net income for the period, MEUR	136.6	78.1	52.5
Return on equity, %	19.2	12.6	-
Return on capital employed, %	20.9	12.9	-
Gearing, %	15.7	43.0	61.7

* Excluding EUR 15.4 million gain from the sale of Consolis

Listing

Cargotec became listed on the Helsinki Stock Exchange on June 1, 2005. During the seven-month period, over 43 million listed Cargotec class B shares were traded, corresponding to a turnover of approximately 80 percent of the B shares. The highest quote of the year was EUR 30.40 and the lowest EUR 21.84. Cargotec had approximately 13,000 shareholders at year-end.

Ownership Reorganization

Reorganization of Cargotec's ownership was initiated in April and completed in June. As a result, Ilkka Herlin, Ilona Herlin, and Niklas Herlin became the largest shareholders in Cargotec through their investment companies, each holding over 10 percent of the shares and over 20 percent of the votes.

New Board of Directors

Cargotec's first Shareholders' Meeting held in July appointed Henrik Ehrnrooth, Tapio Hakakari, Antti Herlin, Ilkka Herlin, Peter Immonen, and Karri Kaitue to the company's Board of Directors. At the organizational meeting of the new Board of Directors, Ilkka Herlin was elected as Chairman and Henrik Ehrnrooth as Deputy Chairman, and the Audit Committee and the Nomination and Compensation Committee were formed.

In October, the new Board of Directors confirmed Cargotec's dividend policy according to which the annual dividend is 30–50 percent of the company's net income.

Investments, Acquisitions and Disposals

MacGREGOR, which specializes in marine cargo flow solutions, became part of Cargotec. The acquisition was made in December 2004 and finalized in March 2005.

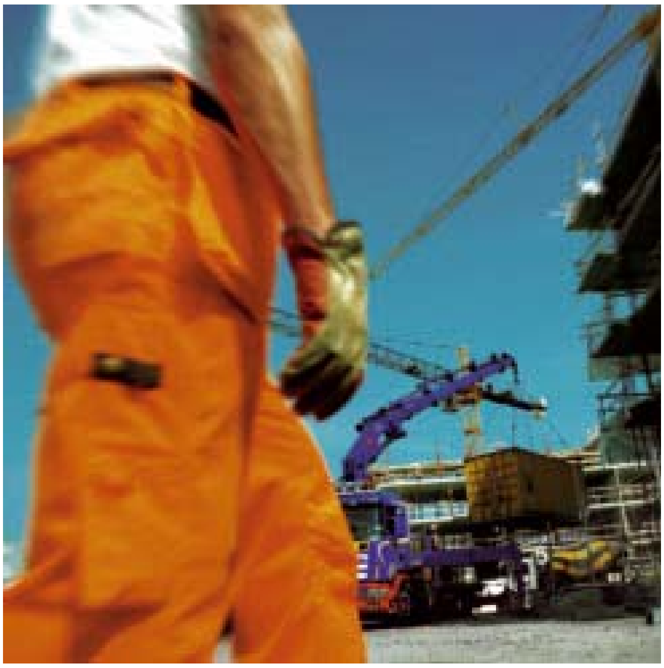
Cargotec's business areas were further strengthened by acquisitions that support their strategy and operations. Both in China and US investments were made to bring assembly closer to the customer.

At the end of 2005, Cargotec divested its minority stake in Consolis, a precast concrete element manufacturer. After this divestment, Cargotec has sold all of its non-core activities.

Net Sales Grew Substantially

Cargotec's net sales grew strongly by 24 percent to EUR 2,358 million. Competitive products and services as well as investments to a flexible business model enabled the very strong sales growth. All business areas received major orders. Operating income without the gain from the sale of Consolis was EUR 179.4 million. Volume growth and persistent improvement of operational efficiency enabled a clear improvement in profitability.

Cargotec's stock exchange releases for 2005 are available on the company's website at www.cargotec.com.



Cargo Handling Solutions for the Entire Transport Chain

Cargotec's solutions are part of the global transport chain in which consumer goods and industrial products are transferred from one place to another. The company's strategy is to provide cargo handling solutions to multi-stage transport chain hubs where goods are loaded and unloaded. The strategy is founded on a comprehensive understanding of its customers' cargo handling needs, a competitive product range and service offering, technological know-how, and on utilizing its strong brands and global distribution network.

Cargotec's core strength lies in its extensive expertise in cargo handling solutions intended for the various stages of the transport chain, which also enables the company to continuously develop its operations and offering. From the viewpoint of future technologies and operating models, as well as customer needs and business models, Cargotec's whole is more competitive than the separate parts. As the global market leader in growing markets, Cargotec's strategic objective is to continue its profitable growth, mainly organically but also through acquisitions.

Increasing Efficiency Required of the Transport Chain

Cargotec's solutions are used as part of the transport chain in cargo handling hubs such as local transportation, terminals, ports, distribution centers, and ships around the world. The company's products, services and, to an increasing extent, comprehensive solutions, substantially increase cargo handling efficiency and thus enhance its customers' business profitability.

As a result of globalization and increasing world trade, the transport chains are becoming longer as the distance between the manufacturer and the end user grows. This increases the requirements placed on transport chain efficiency while the safety and environmental effects of transportation also are rising in importance. Larger consignments require efficient, mechanized, and automated loading and unloading equipment. Furthermore, moving items from larger transport units to smaller ones often involves switching to another mode of transport, increasing the number of loading and unloading steps during the transportation of an individual item.

Cargotec's Financial Targets

To achieve growth exceeding the industry average

To achieve an average operating income (EBIT) margin of 8 percent over the business cycle

To continuously improve the turnover rate of assets employed

To distribute 30–50 percent of the annual net profit as dividend

The aim to upgrade transport chain efficiency is also reflected in the increasing size of Cargotec's customer companies. By further strengthening its global market presence, Cargotec aims to be the best partner for both major customers operating in several continents and smaller local customers.

Aiming for More Flexibility and Service Business Growth

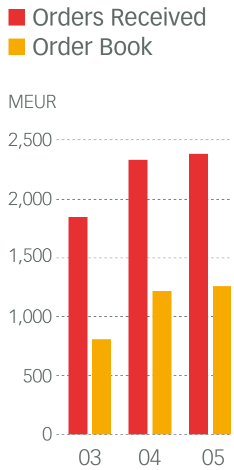
The focal areas of Cargotec's strategy implementation are to increase the flexibility of operations and the company's service business. Cargotec's business model, according to which the company focuses on product development, design and assembly, enhances the flexibility of its operations. The majority of components are purchased from external partners. This business model has reduced Cargotec's sensitivity to business cycles that is typical to capital goods manufacturers.

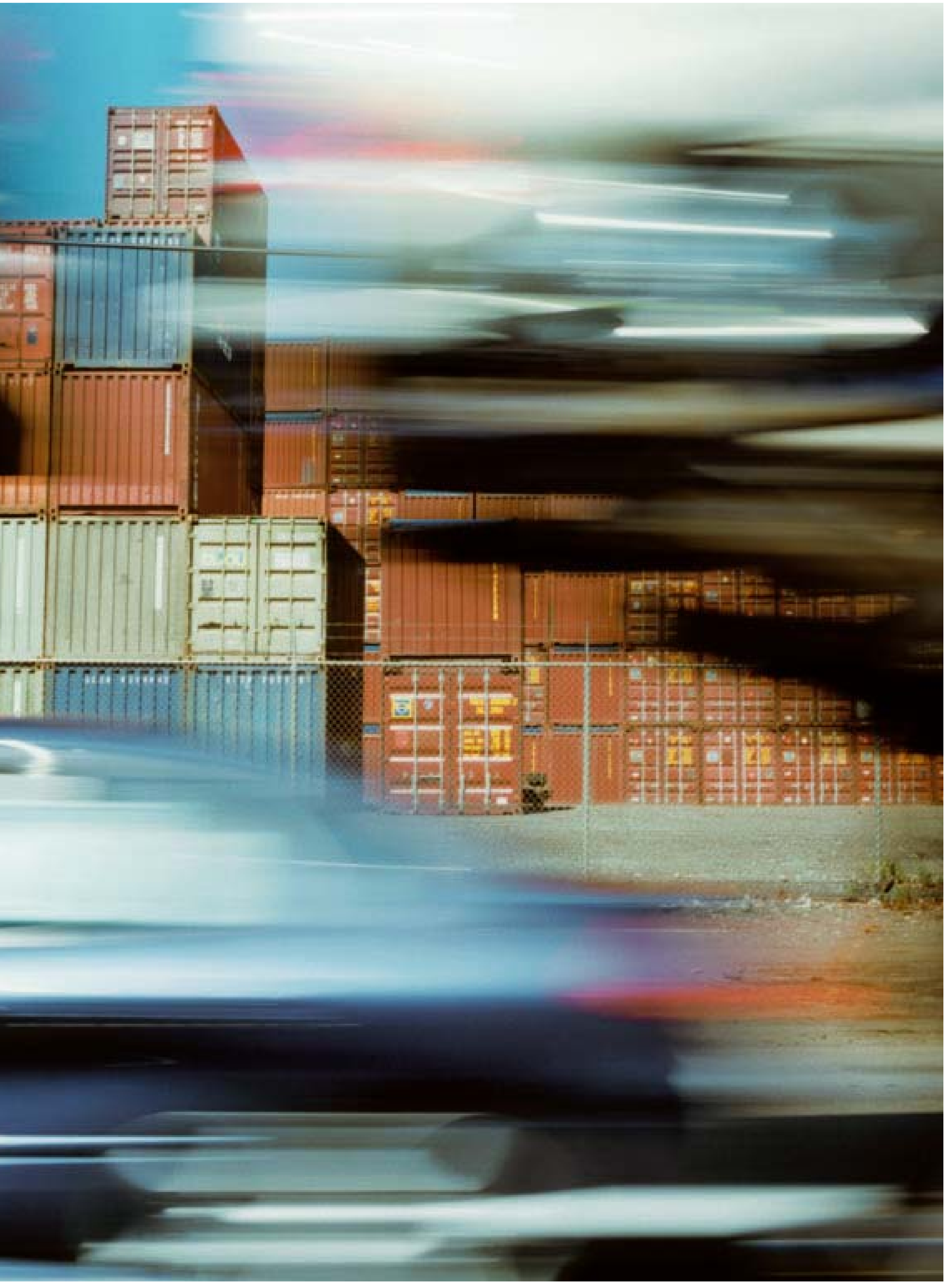
For the last few years, Cargotec's business area structures have been developed through acquisitions, divestments, and restructurings in order to further improve customer orientation, flexibility, and capital efficiency. Profitable growth is a key strategic goal of this development, and the work to further improve Cargotec's profitability continues.

Cargotec's business model has not only reduced capital employed but has also enabled the company to increasingly allocate its resources closer to customers to increase its service offering. A growing installed base, life cycle thinking, increasing technological complexity, and customers' focusing on their core business create substantial growth potential for Cargotec's service business. The company aims to be its customers' preferred partner throughout the equipment's entire life cycle. Comprehensive service responsibility of the customers' equipment increases Cargotec's interaction with customers and improves its ability to understand their needs and further develop and provide more efficient cargo handling solutions.

Investments in Cargo Handling Continued Strong

The world economy developed positively in 2005 and Cargotec's market environment was favorable. As in the past few years, world trade continued to grow faster than the world economy, and the demand for transports of both consumer and industrial products was solid. Positive economic growth and moderate interest rate levels boosted the construction sector and consumer demand, which in turn increased the need for cargo handling and short-haul distribution. This favorable operating environment facilitated Cargotec's customers' investment decisions, keeping the demand for the company's cargo handling products and services strong. Competitive products, increased delivery volumes, and persistent improvement of operational efficiency improved Cargotec's profitability.





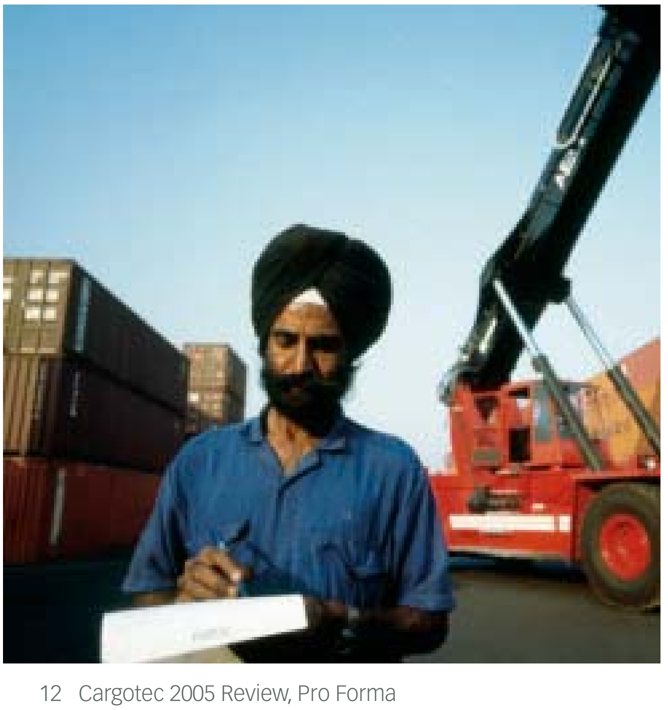
Increased Sea Transportation Kept Shipyards and Ports Busy

Lively shipbuilding activities continued in shipyards around the world. The increased need for sea transportation boosted the demand for new vessels, taking shipyards' order books to record-highs. The shipyards' healthy situation was also reflected in MacGREGOR's order book that continued to grow in 2005. The demand for hatch covers, ship cranes, and container securing equipment was at a high level. The increase in new RoRo ship orders in the second half of the year increased the demand for MacGREGOR's RoRo equipment as well. The demand for various types of services also remained high as shipowners attempted to fully utilize their current vessel capacity.

Efficient container transports continue to gain ground. Over the next few years shipyards will deliver a significant proportion of new container vessels from their order book. Since the container vessels under construction are larger than previous, port operators around the world have continued to invest in container handling systems to meet future needs, pushing Kalmar's net sales to record-high levels in 2005. Wider and longer vessels require taller and further-reaching ship-to-shore cranes, and ports must also have more yard equipment in order to be able to handle large, arriving container volumes in an efficient manner. Strong demand for straddle carriers and reachstackers continued throughout the year. The demand for also rubber-tired gantry (RTG) cranes for container-stacking, terminal tractors for container-moving, and forklift trucks for moving empty containers in ports was good. In addition to new products, many port operators invested in modernizing and upgrading their existing equipment.

Several port extension and new port planning and construction projects moved ahead during the year. Kalmar offers its automation expertise for the design. Increased automation has proved a successful way to improve con-

"Competitive products and services in a favorable market situation boosted Cargotec's net sales and profitability growth."



tainer handling efficiency in yards while at the same time alleviating labor shortage problems existing in certain locations. New ports are an attempt to provide additional cargo handling capacity and new, alternative routes. Furthermore, infrastructure development offers developing countries a route to international markets and thus supports their economic growth.

Lively Activity in Distribution Centers and Local Transportation

Distribution centers where goods arrive in large lots by road, sea, or rail and are then unloaded, have gained an increasingly important role in the transport chain. In these centers, the goods are unloaded and then reloaded in smaller lots for transportation by truck to the final destination, i.e. a retail shop or an industrial plant. Kalmar terminal tractors designed for moving truck trailers are the backbone of distribution center operations in North America, and these centers made large investments in new terminal tractors in 2005.

Lively consumer demand increased the retail sector's transportation needs, which was reflected in a higher demand for Hiab's tail lifts. Loader cranes and truck-mounted forklifts that are well suited for moving building materials sold well, especially in North America but also in most European countries, due to the active construction sector. The demand for demountables and cranes for waste handling and recycling purposes remained at previous year levels.

The industrial sector also invested in cargo handling in 2005. Kalmar's heavy industrial forklift trucks are used in both the steel and forestry industries, in addition to which Kalmar's logstackers and Hiab's timber cranes meet the needs of the forestry industry. The demand for all of these product groups was good during the year.

A Challenging Operating Environment Throughout the Year

Although the demand for almost all of Cargotec's products was healthy in 2005, the year was characterized by a host of challenges. Considerable increases in raw material prices, especially steel, brought high pressure to the entire production chain. With regard to purchasing activities, Cargotec attempted to find alternative suppliers and components globally. Although the company implemented several, sometimes substantial, price increases, it was unable to fully cover the cost increases.

Exchange rate fluctuations also posed challenges to Cargotec's business operations. The year 2005 started with a strong euro. The exchange rate level fluctuated over the year, but at the end of the year the U.S. dollar was clearly stronger against the euro. This, together with the weakening of the Swedish Krona, increased the competitiveness of Cargotec's products. In the longer term, Cargotec's continued measures aimed at increasing assembly operations closer to customers both in Asia and North America will reduce the effects of currency fluctuations.

Clearly Improved Profitability

Competitive products and services in a favorable market situation boosted Cargotec's net sales and profitability growth. The restructuring activities implemented in previous years proved successful, and assembly plants operations showed their flexibility and efficiency. Despite the various challenges in its operating environment, these factors enabled Cargotec to clearly improve its profitability, both at group level and in each business area. The company approached its average operating income margin target of 8 percent set over the business cycle. Cargotec will continue to develop its business operations in order to reach this target. Focus is particularly on enhancing purchasing activities by, for example, further extending the global partner network.

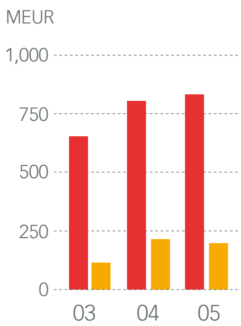
Hiab

Hiab is the world's leading supplier of load handling equipment and a one-stop load handling solutions provider for its customers. The demand for Hiab's products was strong in 2005, enabling the company to further consolidate its market position. New products and investments in distribution network contributed to strong growth in net sales.

Net Sales MEUR 844,
+MEUR 147 from 2004

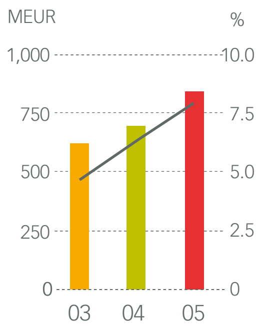
Operating income MEUR 66.6,
+MEUR 22 from 2004

Orders Received
Order Book



03: MEUR 653
MEUR 114
04: MEUR 805
MEUR 215
05: MEUR 831
MEUR 197

Net Sales and
Operating Income (%)



03: MEUR 622, 4.7%
04: MEUR 697, 6.4%
05: MEUR 844, 7.9%

Hiab's product range includes HIAB loader cranes; MULTILIFT demountable systems; ZEPRO, WALTCO and FOCOLIFT tail lifts; truck-mounted MOFFETT and PRINCETON forklifts; and LOGLIFT and JONSERED forestry cranes. Hiab has own sales companies in 25 countries and production plants in Finland, Sweden, the United States, the Netherlands, Ireland, Spain, China, and South Korea. The company's extensive customer portfolio includes transport entrepreneurs, large transportation companies, municipalities, delivery fleet rental companies, truck manufacturers, and defence forces.

Hiab developed during 2005 its key customer concept, already a success in the United States, in Europe as a response to its customer companies' growth, both in terms of company size and geographically. Large customers need comprehensive services. Hiab's selected strategy is to further strengthen its customer interface by focusing on the installation and service of load handling solutions. In August, Hiab took a major step forward in expanding its service business by signing a service agreement for more than 500 loader cranes with Wolseley, a leading supplier of building materials in the UK.

New Product Applications for the Various Market Needs

Hiab's strength is based on its broad expertise in the load handling industry. The right focal areas in a comprehensive product range as well as product development investments have helped improve Hiab's financial performance in the last few years. In 2005, the company launched 14 brand-new load handling products and numerous product variations to meet the various market needs. The CLX loader crane range was developed for non-European markets while the XS crane family was expanded to new capacity ranges. Hiab also introduced XSDrive, the renewed remote control unit for loader cranes, supplemented its hooklift systems range, launched the MOFFETT M50 truck-mounted forklift in the high-volume product category for the North American markets, and introduced new timber cranes and a lightweight tail lift.

Distribution Network Was Expanded

Hiab has the most extensive distribution network in the load handling industry. In addition to its own sales companies, it has more than 100 importers around the world. Hiab is continuously developing its distribution network to ensure that its customers get a comprehensive selection of load handling solutions in one place.

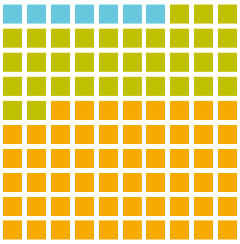
In 2005, Hiab renewed its sales organization in Asia and decided to strengthen its sales network in China. In Finland, Hiab expanded its distribution network in June by acquiring Transmachine Oy whose business includes sales and installation of truck superstructures and related service operations. Transmachine is a long-time partner of Hiab that has represented Hiab's loader cranes, demountables, and tail lifts in Finland for many years.

In September Hiab opened a representative office in Bangalore, India. Hiab has operated in India for 20 years through importers. The aim of the new representative office is to meet the growing market demand, fuelled by India's growing economy and especially new infrastructure projects.

Net Sales Grew

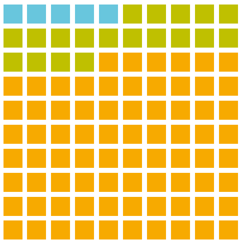
Hiab's net sales amounted to EUR 844 million, up by 21 percent year on year. Growth was particularly strong in North America where the lively construction sector, consumer demand, and increased truck sales boosted orders. In Europe growth remained at a solid level. In Asia the

Sales
by Market Area



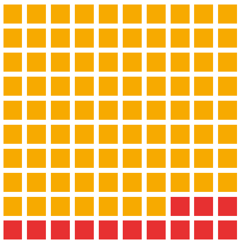
- EMEA 58%
- Americas 35%
- Asia Pacific 7%

Employees
by Market Area



- EMEA 76%
- Americas 19%
- Asia Pacific 5%

Service Business as
Percentage of Sales



- Service 13%
- New equipment 87%

decline in scrap metal prices affected the demand from the recycling industry, but in other customer segments the demand continued to be good.

The demand for Hiab's products is influenced by transportation needs, construction activity, truck demand, customers' growing productivity requirements, and safety norms. In 2005, the demand also increased in the waste treatment industry as large cities needed more efficient waste handling solutions.

Deliveries related to the order made by the Dutch Army in 2004 continued throughout 2005. The order comprises over 500 demountable systems and over 100 loader cranes.

The deliveries of 5,000 tail lifts ordered by a US retail chain in 2004 began in early 2005 and will continue in 2006.

Hiab's co-operation with various countries' defence forces and truck manufacturers led to the securing of several orders in Europe in 2005. For example, in October, Hiab received an order for 390 loader cranes to be delivered to the British Army over several years. The cranes were developed in co-operation with the customer, paying special attention to the fact that the cranes fit within a very compact space envelope so that the equipped trucks may be transported in military cargo planes.

Production Flexibility Was Increased

High demand and large delivery volumes posed challenges for Hiab's assembly units, and the company took several measures to further upgrade its production chain in 2005. In June, Hiab started to assemble demountables in a new plant in Shanghai, China. It serves the growing demountables market in Asia. Hiab has operated in China since 1997 and has gained a firm footing as a load handling equipment supplier in the country. Local assembly and partner networks are essential for ensuring the rapid and cost-efficient delivery of products in this growing market area.

Hiab improved the efficiency of its truck-mounted forklift assembly by concentrating the related mast manufacturing in Dundalk, Ireland. In this connection, the entire production chain was restructured and a new paintshop was taken into use. The company also invested in a new paintshop for demountables in Raisio, Finland, which will be commissioned in 2006. The new paintshops will improve the surface treatment quality of products and, with respect to demountables, shorten the time required for installation. Hiab upgraded the operations of its tail lift production unit in Bispgården, Sweden, by reorganizing the production chain and concentrating the manufacturing of all tail lifts sold in Europe in the same unit.

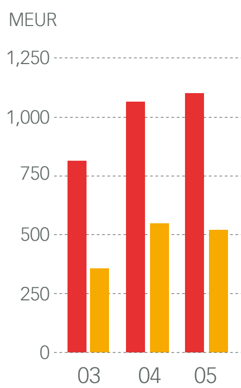
Kalmar

Kalmar is the world's leading provider of container-handling equipment. Kalmar's net sales increased substantially in 2005. Container traffic continued to grow, port operations were buoyant in all markets, and terminal and distribution center operations increased, particularly in North America. Growing demand was reflected also in services. Kalmar continued to transfer its product assembly units closer to customers while focusing on further utilizing electrical engineering and automation in its product development activities.

Net Sales MEUR 1,147,
+MEUR 282 from 2004

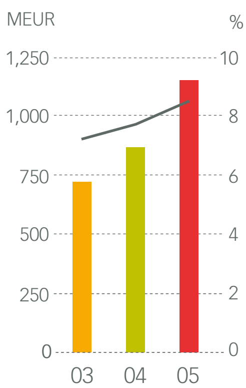
Operating income MEUR 97.6,
+MEUR 31.2 from 2004

Orders Received
Order Book



03: MEUR 814
MEUR 357
04: MEUR 1,066
MEUR 549
05: MEUR 1,103
MEUR 520

Net Sales and
Operating Income (%)



03: MEUR 728, 7.2%
04: MEUR 865, 7.7%
05: MEUR 1,147, 8.5%

Kalmar provides the most extensive range of container handling products in the market, including ship-to-shore cranes, shuttle carriers, yard cranes, terminal tractors, straddle carriers, and reachstackers. Furthermore, the company manufactures logstackers and forklift trucks for heavy industrial use. Bromma, a Kalmar Group company, is the world's leading manufacturer of container spreaders. Kalmar's customers include ports, port operators, terminals, and industrial customers. Due to customer consolidation and the company's increasingly global presence, Kalmar has developed its operations to meet customer needs all over the world.

Kalmar operates in more than 140 countries through 17 sales companies and an extensive dealer network. The company's seven assembly units are located in China, Finland, Malaysia, the Netherlands, Sweden and the United States. In March, Kalmar acquired the Dutch companies, Peinemann Kalmar CV and Peinemann Kalmar Rental BV, that specialize in the service and rental business. Towards the end of the year, Kalmar bought a 51 percent stake in Indlift that has operated as a Kalmar retailer in India since 2000. This new sales company meets the growing demand for container handling solutions in India. In March, Kalmar sold Finmec in Estonia, which specializes in welding, and providing metal parts for heavy equipment. These arrangements are part of Kalmar's strategy to focus on product development, assembly and marketing.

Global Assembly Operations

Kalmar continued to invest in assembly operations in order to transfer its product assembly units closer to customers. These arrangements also increase the flexibility of its operations, enabling the company to better respond to fluctuations in demand.

In 2005 Kalmar started to build a new assembly unit in Shanghai, China, that will concentrate on the assembly of empty container handling equipment, reachstackers, and yard cranes. The assembly of terminal tractors that is currently operating in Shanghai will also be transferred to the new unit. The operations will start in the beginning of 2006. In Malaysia, Kalmar started to extend the Bromma spreader manufacturing plant.

The assembly of forklift trucks began in a plant in Ottawa, Kansas, the United States, which has manufactured terminal tractors for many years. This will shorten forklift delivery times to North American markets, improve the supply of spare parts and bring technical support closer to customers. Expansion of the assembly plant will continue in 2006.

More efficient supply chain management, the increasing degree of operational globalization, and the expansion of product development focus – from mechanical solutions to automation – poses new challenges for the entire personnel. Consequently, Kalmar continued to invest in developing its human resources by implementing various training programs. The company also arranged customer training. In China, Kalmar opened a training center providing local port and terminal employees with training in the efficient use of Kalmar products by utilizing, for example, a simulator.

New Products were Well Received

Kalmar's net sales amounted to EUR 1,147 million, up 33 percent year on year. Demand was strong in all regions and product lines. During 2005 several new products and product applications

were launched that were well received by the market.

Kalmar secured numerous major straddle carrier orders. Its 7th generation straddle carriers that respond well to the need for increased productivity were ordered to German, Australian, South African, and Réunion ports, among others. The benefits of the new straddle carriers include automation and minimized operational costs. During the year a record number of 282 straddle carriers were delivered to ports.

The environmentally-friendly, all-electric E-One crane attracted orders from all markets, including Chile, Columbia, Argentina, Belgium, the United States, Turkey, and India. All in all the number of RTG cranes ordered of 74 was beyond expectations.

Kalmar received orders for empty container handlers from, for example, the Port of Rashid and the Jebel Ali Port, near Dubai, as well as from Malaysia's Sabah Ports to which Kalmar will also deliver terminal tractors and reachstackers.

Kalmar delivered a record number of trucks for the paper and forestry industry in 2005. A new logstacker was launched, and in November Kalmar introduced a new top-lift truck model specifically developed to meet the needs of North American container handling markets in particular. The product benefits include higher speed, larger hoisting capacity, better ergonomics, and lower operating costs.

A Dedicated Unit for Automation Solutions Development

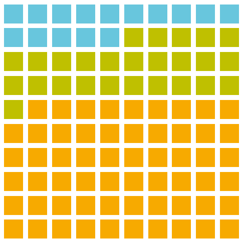
In April, Kalmar established a new dedicated business unit, Kalmar Intelligence & Automation, to further strengthen automation development in Kalmar equipment, and enhance intelligence and automation integration for the container handling equipment in co-operation with port and terminal customers. The leading operator in its field, Kalmar has developed several automation solutions over the years, including automatic stacking cranes, Smartrail® and Smartpath® container position verification systems, and the Remote Machine Interface (RMI) system enabling the efficient monitoring of equipment in the container yard and their maintenance needs. For example, the straddle carriers to be delivered to the largest container port of the Indian Ocean, situated in Réunion, are equipped with the Smartpath® container position verification system. Kalmar also participates in the port's expansion planning, in which the Kalmar Port Optimizer simulation tool is used.

Comprehensive Maintenance Contracts

Kalmar continued to develop its service business. By concluding a service agreement Kalmar customers aim to increase productivity, focus on their core business, and anticipate future costs. In Antwerp, Belgium, P&O Ports concluded a two-year service agreement with Kalmar, covering service, technical support, and spare parts for 20 straddle carriers in the new Antwerp Gateway terminal. Kalmar is also responsible for the maintenance of 18 automated ESC straddle carriers at a terminal located in Brisbane, Australia.

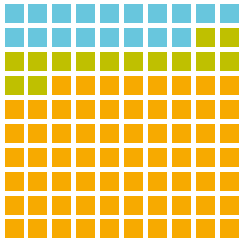
In 2005 Kalmar secured several major service contracts, for example, it signed agreements in Sweden with Gruvön and Korsnäs sawmills on the maintenance of logstackers and forklift trucks.

Sales
by Market Area



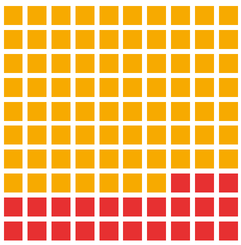
- EMEA 59%
- Americas 26%
- Asia Pacific 15%

Employees
by Market Area



- EMEA 68%
- Americas 14%
- Asia Pacific 18%

Service Business as
Percentage of Sales



- Service 23%
- New equipment 77%


OOCL
OOCL SHENZHE

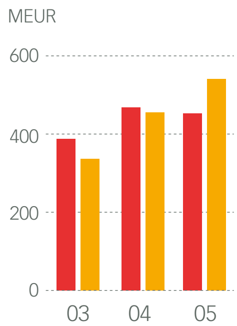
MacGREGOR

MacGREGOR is the global market leader in providing marine cargo flow solutions. In 2005 the business became part of Cargotec and following the divestment of its other than marine cargo related activities regrouped its operations accordingly. The shipbuilding market remained strong in 2005 and MacGREGOR's order book rose to a record high level. MacGREGOR continued to grow its service business by pro-actively promoting planned maintenance of equipment and systems and by expanding its service network in China and Middle East.

Net Sales MEUR 369,
+MEUR 29 from 2004

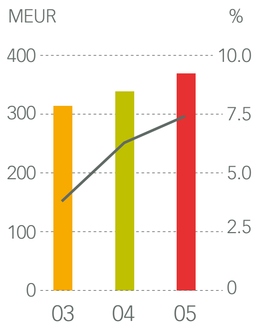
Operating income MEUR 27.5,
+MEUR 6.6 from 2004

■ Orders Received
■ Order Book



03: ■ MEUR 387
■ MEUR 336
04: ■ MEUR 468
■ MEUR 455
05: ■ MEUR 453
■ MEUR 541

Net Sales and
Operating Income (%)



03: ■ MEUR 314, 3.9%
04: ■ MEUR 339, 6.2%
05: ■ MEUR 369, 7.5%

MacGREGOR's marine cargo flow solutions developed around bespoke designs of hatch covers, ship cranes, cargo securing systems, RoRo equipment, and their related services serve ship builders, ship owners and ship operators all over the world.

MacGREGOR's product manufacturing has been outsourced to partners that are located close to the customers. These production units, or partner plants, have been constructed in co-operation in order to meet MacGREGOR's product requirements. The partner plant operating model ensures flexible production and enables MacGREGOR to concentrate on product design, supply chain management, and product service. The aim of this is the continuous enhancement of product and service concepts and their successful commercialization as well as increasing the share of the service business on net sales. MacGREGOR's partner plants are situated in China, Korea, Japan, Vietnam, Croatia and Poland.

New Organization Supports Solution Deliveries

MacGREGOR operates in 25 major shipping and shipbuilding countries and its service network consists of more than 50 service stations. In 2005, MacGREGOR regrouped its operations into Dry Cargo, RoRo and Service divisions and fine-tuned its product marketing in accordance with functional requirements of ship types, rather than basing it upon individual products. The Dry Cargo division provides ship cranes, hatch covers, and cargo securing systems while the RoRo division focuses on a variety of RoRo equipment, such as ramps, doors, visors, car decks and ramp covers. The activity of the RoRo division comprises also land and port equipment systems, essentially providing access of cargo to and from ships. In addition to equipment maintenance and spare parts provided on a planned and on-demand basis, the Service division provides service in damage repairs, equipment and system modernizations and conversions.

MacGREGOR divested its shipboard elevator and galley businesses in 2005 and strengthened its Dry Cargo division in November by acquiring the Swedish company All Set Marine Lashing that provides cargo securing equipment to prevent cargo from shifting.

Record-high Order Book

MacGREGOR's order book reached a record-high level due to increasing world trade that increases both sea transportation and cargo handling needs. MacGREGOR won its largest ever ship crane order for container handling cranes that will be delivered to Korea in 2007–2008. Other ship crane orders came from, for example, the United States, Japan, China, Singapore, and Indonesia. MacGREGOR will supply hatch covers for the world's largest container vessels that are under construction in Korea and China. These vessels can carry up to 10,000 containers each. Such large vessels place special requirements on hatch cover design and quality. The RoRo division secured contracts from Italy, Croatia and Sweden, among others. MacGREGOR's net sales amounted to EUR 369 million, up 9 percent year on year.

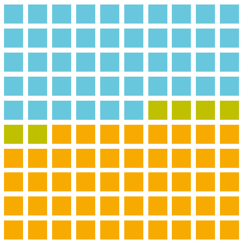
Onboard Care Service Concept and New Technical Solutions Supporting Customers' Operations

Concentration of sea transportation in large ports, and transportation safety and efficiency require a proactive approach to ensure that the time required for service in ports is as short as possible. For several years, MacGREGOR has made determined investments to develop its service business.

MacGREGOR's Onboard Care service concept comprises four service solution levels that vary from Basic to Total Onboard Care in which MacGREGOR takes full responsibility for the maintenance of all cargo handling equipment onboard the customer's ships. The Onboard Care program includes planned maintenance based upon maintenance protocols and equipment condition monitoring by means of a combination of remote diagnostics and periodic onboard inspections. In 2005, the remote diagnostics was in test-use in three different types of cargo vessels.

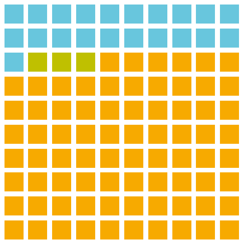
In summer 2005, MacGREGOR signed a five-year Onboard Care service agreement with the Swedish company Wallenius Marine AB that selected the Total Onboard Care service level for its seven vessels. Furthermore, MacGREGOR started to design a new-generation control system for ship cranes and continued to develop electric solutions for hatch covers, ship cranes, and RoRo equipment.

Sales by Market Area



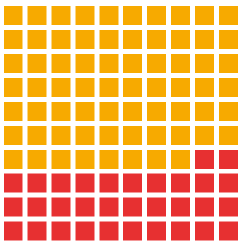
- EMEA 48%
- Americas 6%
- Asia Pacific 46%

Employees by Market Area



- EMEA 76%
- Americas 3%
- Asia Pacific 21%

Service Business as Percentage of Sales



- Service 32%
- New equipment 68%

Partnership Strengthened with Service

Gruvön Sawmill, part of Stora Enso Timber, is located on the shore of Lake Vänern in Central Sweden. The sawmill employs approximately 150 people and has an annual production of approximately 400,000 cubic meters of sawn wood products. Kalmar is responsible for the timber transportation equipment used at the mill.

In fall 2005, Gruvön Sawmill decided to outsource the service and maintenance of its timber handling equipment to Kalmar and concentrate on its core business. In the same connection, approximately 30 sawmill employees transferred to Kalmar.

By concentrating the maintenance of its equipment with one partner, Gruvön is able to improve its timber handling efficiency and anticipate future maintenance expenses. Kalmar also supplied the mill with eight new forklift trucks (FLTs) and three logstackers; and is responsible for their maintenance. The equipment is more efficient and environmentally friendly than the older ones. The new FLTs handle the sawn products within the plant, at the warehouse, and when unloading. The new logstackers are used in the unloading, transportation, and storage of timber. Sawn and planed wood products are delivered to customers mainly in containers, either by truck or sea.

Wolseley UK is the leading distributor of plumbing, heating, and building products in the UK. It has more than 1,500 branches and is part of the global building materials giant, Wolseley plc. Wolseley UK buys dozens of loader cranes from Hiab on an annual basis. In 2005, the company signed a service agreement with Hiab, covering service and spare parts for more than 500 loader cranes.

Hiab's extensive market presence and previous co-operation with Wolseley were key to the company's decision to concentrate their loader crane services with Hiab. This requires trust that the partner will provide the right kind of product and service package, including servicing, customer service, technology, design, and other services complying with the order. Wolseley's operations are based on its reliability and ability to deliver. In order to ensure the smoothness of its fleet management processes, equipment servicing must be completed efficiently and on time. A uniform equipment portfolio also streamlines operations.

"By using one loader crane supplier we save time on, for example, staff training. Once we have trained our staff, they can work on a number of vehicles, which is a safer and more efficient way to operate," says Roy McCrudden, National Fleet Manager for Wolseley UK. Thanks to the comprehensive service agreement, the customer is also able to anticipate the future operating expenses of their equipment. For Hiab, the agreement concluded with Wolseley is a major step within the UK's service markets, enabling it to utilize these experiences with other large customers as well.

In July 2005, the Swedish company Wallenius Marine AB concluded a Total Onboard Care (TOC) service agreement with MacGREGOR on seven of their vessels for the next five years. MacGREGOR's Onboard Care concept provides four service solution levels aimed at guaranteeing efficient and reliable cargo handling operations.

At the most extensive service level selected by Wallenius Marine, MacGREGOR takes full responsibility for the operations of all cargo handling equipment onboard. Thanks to the agreement, the customer can concentrate on its core business both on board and ashore, and anticipate future service costs. The TOC process is started by performing a detailed service survey onboard the Wallenius vessels after which each vessel is inspected on an annual basis and the required repairs and service measures are performed on the cargo handling equipment. MacGREGOR is responsible for the maintenance of equipment supplied by both itself and other companies, as well as providing training for the crew onboard. Within the framework of the service agreement, the TOC process provides the customer with optimal equipment functionality, spare parts and a spare part management system, services provided by MacGREGOR personnel, service documentation, and inspections that comply with classification approvals.

New Technology Benefits User

Hiab developed its new XSDrive remote control unit in cooperation with loader crane users. To ensure the unit's user-friendliness, Hiab's customers tested three different models before the final XSDrive version was selected. During the product development stage, special emphasis was placed on reliability and ergonomics.

Hiab's XSDrive is the first remote control unit developed exclusively for controlling loader cranes. It is used on HiDuo cranes, one of the most popular crane brands in Europe. Half of the customers ordering a HiDuo crane also order a remote control unit for it, enabling them to operate the crane from a position that provides optimal visibility and ease of work. This also means that only one person is needed to do the job, which is cost-efficient, accurate, and safe, particularly for small entrepreneurs. Each remote control unit operator obtains a "personal identity number" (PIN) which the control unit uses to identify itself to the crane, making it possible to work safely with many remote controlled cranes at a single site. XSDrive provides easy serviceability because all of its key components can be individually detached and repaired. The lightly-operating control unit features 24 functions, so it can be used to control truck-mounted equipment other than loader cranes, such as stabilizers.

Kalmar introduced the new environmentally friendly rubber-tired gantry (RTG) crane, the E-One, in early 2005. E-One has received a huge success in the market. It meets the stricter environmental demands in ports and terminals. All the functions of the crane are electric and operate without hydraulics.

E-One RTG cranes are used for stacking containers and loading and unloading trucks and terminal tractors. Kalmar secured its first E-One orders from Chile and Belgium. Ports want to provide their customers with the most efficient, economical, and expedient container handling operations possible. E-One meets these requirements. "The deal clincher was the E-One's service interval of up to 1,000 hours for both the crane and the engine, which is unmatched by any other brands," said Alejandro Bärthold, General Manager of the Chilean company Terminal Pacífico Sur Valpraiso, as grounds for their choice.

The low number of mechanical components in E-One reduces mechanical failures and extends the maintenance cycle. Compared to older crane models, E-One offers fuel savings of up to 30 percent while the latest technology helps the crane operator to work faster and more accurately.

Growing ship sizes make the safe mooring of vessels in harbors an increasingly challenging task. Traditional mooring systems situated on high decks and short berths are not sufficiently effective. From this starting point, MacGREGOR began to develop the new MOOREX mooring system in cooperation with one of its customers.

A reliable mooring system is essential for the safety of passengers, crew, cargo, and harbor structures. Large movements of the berthed vessel caused by wind, suction, swell and passing ships, may damage the gangways, ramps, linkspans and harbor structures. In 2005, MacGREGOR launched a self-tensioning mooring arrangement that is placed on the quayside at an optimal rope angle. While the standard MOOREX system features a 30-ton pulling force that keeps the vessel steadily in place in various conditions, MacGREGOR has as a result of the development work delivered MOOREX systems with up to a 60-ton pulling force. The system is suitable for various types of vessels, enables fast mooring operations even in short harbor stops, and reduces the need of the crew to supervise possible movements of the vessel.

Closer to Customer with Flexibility and Innovations

MacGREGOR has outsourced its entire production to strategic partners in China, Korea, Japan, Vietnam, Croatia and Poland. This partner plant concept enables the company to utilize new and efficient production models, making it possible to deliver even large production volumes quickly and cost-efficiently.

Within the partner plant concept, MacGREGOR is responsible for the entire delivery process and customer communications. The intention is that no matter where the products are manufactured, they meet MacGREGOR's strict quality requirements. The partner plants concentrate on production and production process development while also being responsible for the sufficiency of production capacity. MacGREGOR's product designers, in turn, are responsible for the functionality and production-friendliness of the products to be manufactured. MacGREGOR also supervises product quality in connection with its partner plants.

MacGREGOR designs production lines in co-operation with the partner plants and ensures that they apply the latest technology, make optimal use of production capacity, and deliver products meeting the quality standards, at the agreed time.

MacGREGOR is also responsible for the continuous training of partner plants through extensive training programs. It also arranges training in co-operation with the plants in order to share experiences and identify best practices.

Hiab's strategy is to be close to its customers. This is done through its extensive distribution network and comprehensive service. Hiab's unit in Bladel, the Netherlands, has been developed into a European center of excellence specializing in the installation of load-handling equipment.

In 2005 Kalmar established a new dedicated business unit, Kalmar Intelligence & Automation, to focus on the marketing and development of automation solutions for container handling equipment and systems in cooperation with customers. In addition, the unit is responsible for the delivery of automation projects as well as customer support on a 24/7 basis.

The Dutch Army ordered 548 demountable systems and 145 loader cranes in 2004 from Hiab, including the installation of these to trucks.

The units delivered were manufactured in accordance with exact product specifications, taking into account the various intended uses of the equipment as well as safety aspects. Product development was carried out in close cooperation with the customer, the truck manufacturer, and various Hiab units in order to ensure maximum usability of the equipment.

As part of the order, Hiab installed demountables and loader cranes to hundreds of trucks in Bladel in 2005. The products were manufactured in Finland and the Netherlands, where the installation requirements were already taken into account. The Bladel center of excellence was further developed in order to meet the challenges of this extensive order.

The new unit strengthens Kalmar's leading role in the development of automation solutions for ports and terminals. Improved efficiency of operations, better performance and safety of equipment, and environmental advantages are the typical benefits customers can expect.

One of the automation solutions developed by Kalmar is the Smartrail® system that guides the crane to the right container, thus making the operator's work safer and more efficient. Smartrail® can also be used for container positioning identification and verification in the yard. Malaysia's Port of Tanjung Pelepas has selected Kalmar's Smartrail® solution for its 72 RTG cranes. Retrofitting of the system into existing cranes is fast: in the Port of Tanjung Pelepas, installation was performed without interruptions to port operations. Tanjung Pelepas is one of the largest ports in South-East Asia handling over four million containers annually.

Personnel

Based on trust, commitment and parallel employee and corporate goals, Cargotec's human resources management actively supports the company's business operations. The purpose of the Group's personnel policy is to ensure the consistency, uniformity and equality of its human resources management. In 2005, Cargotec's human resources activities focused on the establishment of a new Group structure and organisation.

Human Resources Development

The annual development discussions and management reviews help to identify Cargotec's staff development needs and collect information for executive succession planning. The purpose of development discussions is to analyse each employee's occupational targets and personal development needs and agree on resulting further measures. The aim of the annual management review process is to chart the key people of the Group and its business areas as well as their potential successors, and to draw up personal development plans for them.

Cargotec encourages its personnel to continuous self-development and working environment improvements. In addition to training, job rotation in the Group's global internal labour markets provides an excellent opportunity for on-the-job learning and overall progress.

Cooperation

Cargotec applies a statutory involvement system that it has jointly developed and agreed on with its personnel. The purpose of internal cooperation is to improve the Group's operations, increase employee satisfaction and commitment, and advance interaction both amongst different employee groups and between employees and management.

At Cargotec, cooperation has been organised at Group, business area and location level. The business areas apply their own cooperation procedures, and in the locations cooperation is based on national legislation. The cooperation forums at the Group level are the Cargotec Personnel Meeting in Europe, the Cooperation Committee in Finland, and the Group Information Committee in Sweden. These forums convene on an annual basis while their working committees meet more frequently. The Cargotec Personnel Meeting, the Cooperation Committee and the Group Information Committee are all headed by Cargotec's President and CEO.

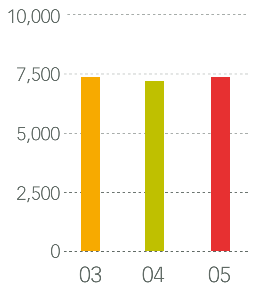
Each European country elects, in proportion to staff numbers, representatives to the Cargotec Personnel Meeting. This is carried out in line with the cooperation procedure applied in each country. As a general rule, the location with the largest number of employees nominates that country's representative to the Meeting. In 2005, 15 staff representatives from nine different countries and five management representatives participated in the Cargotec Personnel Meeting.

In Finland, the number of Cooperation Committee members is determined on the basis of local staff numbers, and the representatives are nominated at location level. In 2005, the Cooperation Committee consisted of four worker, six office worker and four management representatives.

In Sweden, the Group Information Committee comprises local trade union club chairpersons and Group management representatives. In 2005, this forum consisted of five metalworker, four office worker, four supervisor and six management representatives.

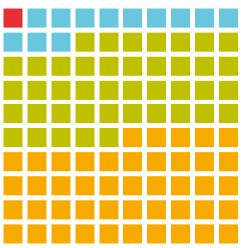
Average Number of Employees

persons



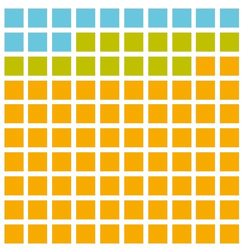
03: 7,383
04: 7,201
05: 7,388

Employees by business area



Hiab 45%
Kalmar 42%
MacGREGOR 12%
Corporate Administration 1%

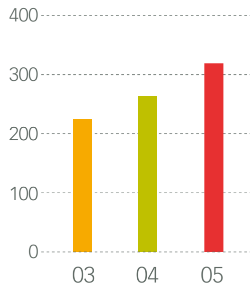
Employees by market area



EMEA 72%
Americas 15%
Asia Pacific 13%

Sales/Employee

'000 EUR



03: 225
04: 264
05: 319

Environment, Health and Safety

Cargotec's environment, health and safety (EHS) management is based on the Group's risk management and environmental policies and guidelines as well as quality, environmental, health and safety systems. Its EHS tools consist of generally accepted standards: the ISO 9000 quality standard, the ISO 14001 environmental standard and the OHSAS 18001 health and safety management system.

Quality and Environmental Systems Comprehensively Applied in Units

Eleven of Hiab's twelve assembly units and all of Kalmar's six assembly units apply a certified quality system. Six Hiab units and five Kalmar units have a certified environmental system, in addition to which one unit in both business areas has an audited health and safety system. MacGREGOR has no production of its own but commissions its products from selected subcontractors that are independently responsible for their production processes. MacGREGOR employs a quality system that corresponds to ISO 9001:2000 requirements.

Business area-specific management systems also contain guidelines on environmental, health and safety issues. In addition to the internal auditing procedures applied by the various business units, external audits are performed on a regular basis.

In the final testing of products, particular attention is paid to product safety. Cargotec's final testing procedures comply with the directives, standards and legislation in force, and there are also specific guidelines for post-installation testing and inspections.

Hiab observes the EU Machinery Directive, the standards associated with machine safety, design and testing, the EN 12999 standard regulating loader cranes, the ISO 14000 environmental standard, and local rules and regulations.

Surface treatment and painting are key quality factors for Cargotec's products. At the same time, they are among the most demanding elements of the manufacturing process with respect to environmental protection. Over the past few years, Cargotec has revised its units' surface treatment processes and renewed most of the paint shops in order to meet both today's stricter environmental regulations and the increased quality requirements of its customers. By investing in new surface treatment techniques the company has been able to substantially reduce its solvent emissions and the amount of paint waste while improving product finishing quality and the employees' working conditions during the painting process.

The paint shop of Hiab's unit that manufactures Moffett truck-mounted forklifts in Dundalk, Ireland, was renewed in 2005, giving special attention to environmental regulations and upgrading the finishing quality of the products. The new surface treatment technique has considerably improved the corrosion resistance of their truck-mounted forklifts. The unused paint can be reused while the paint shop's pressurized system allows the paint to bond to the steel, thus reducing solvent emissions into the air.

Hiab is currently harmonising its quality and environmental practices and final testing procedures, in addition to which various Hiab units are constructing and certifying environmental systems.

Kalmar defines environmental, health and safety targets for its operations on an annual basis. These form a platform for the business area's EHS management programmes that specify the related operating models and implementation, follow-up and reporting procedures. Kalmar's management audits the achievement of EHS targets and the adequacy of measures taken. Quality, environmental, health and safety procedures are defined in Kalmar business units' operational guidelines that comply with the ISO 9001 and ISO 14001 standards.

Cargotec continues to construct its EHS management systems. In addition, Cargotec is developing accident prevention, reporting and follow-up.

Suppliers are carefully selected

Cargotec is increasingly focusing its operations on core processes such as product development, engineering and assembly, while transferring other stages to partners. Most assembly units apply strict EHS requirements to their suppliers. Subcontractors are selected on the basis of a supplier assessment whose content and scope are specifically regulated. In addition, Cargotec makes quality audits at its subcontractors, in connection with which environmental matters are also handled if necessary. Even the certified management systems applied by Cargotec such as ISO 9001 and ISO 14001 require rigorous supplier selection criteria.

Life-cycle thinking a Key Component of Product Development

The main environmental effects of Cargotec's products are related to their use. For this reason, the company has extended its environmental thinking to cover the products' entire life-cycle, taking environmental and safety issues into consideration already in product development. The environmental assessments have increasingly been included in product development, sales, distribution and after-sales processes.

The recyclability of most of Cargotec's products is high due to their substantial steel content. Other product benefits include long useful life and good serviceability. Careful and regular servicing of equipment reduces its environmental effects during use and extends its useful life.

Kalmar draws up an environmental effects assessment for new products, major modifications and extensive projects. The key development areas identified through these assessments include reducing fuel and tyre consumption, extending the maintenance cycle, minimising or eliminating environmentally adverse oil and fluid leaks, facilitating machinery erection work and further defining the use and maintenance guidelines.

At Cargotec, reducing the environmental and safety hazards involved in production processes is a key issue. By focusing on final assembly the company has managed to reduce welding and machining and, subsequently, the use of oils, chemicals and cutting fluids which in turn has decreased the environmentally harmful effects of the operations.

Risks and Risk Management

Cargotec's risk management is based on the Group's policy defining the company's risk management goals, principles and responsibilities. The purpose of risk management is to support the strategy and goals of the Group and its business areas, by managing the threats and risks involved in the business activities, and thus ensuring that set targets can be met. The guiding principle is continuous, systematic and preventive activity aimed at identifying, analysing and controlling potential risks.

Risk Management Organisation

Cargotec's President and CEO and the Executive Committee are responsible for the Group's risk management activities, their implementation and control, and report to the Board of Directors. The company has an internal auditor who is responsible for internal control and business risk auditing and reports to the Board's Audit Committee. The Group's Risk Management function creates and develops Group-wide risk management principles and operating models, and supports their application and implementation in the business areas and units. The Group Treasury function manages financial risks centrally while the business areas and units are responsible for managing the risks involved in their own operations.

Risks

Cargotec applies a holistic risk management approach in which a risk is defined as any internal or external threat or uncertainty that may prevent or restrict it from carrying out its operations and achieving its goals. Risks are classified into strategic and business risks, financial risks, and operational risks and hazard risks.

Strategic and Business Risks

Strategic and business risks are related to business cycles in the global economy and Cargotec's customer industries, the availability and price development of raw materials and components, and dealers' and subcontractors' activities. Cargotec has prepared for these risks by attempting to identify and anticipate them in advance, making long-term procurement agreements and seeking alternative suppliers. With its increasingly outsourced production and globalising suppliers, the company is placing greater emphasis on close co-operation with its key suppliers (Vendor Management), audits, and regular forecasts as key tools for preventing supply risks.

The purpose of Cargotec's product development is to maintain and develop its products' technical features, competitiveness and cost structure. The company seeks to patent or otherwise protect all patentable inventions and innovations. It has registered approximately 400 patents that are valid in all major markets and supervises the integrity and appropriate protection of its patents, trademarks and know-how.

Financial Risks

Cargotec's treasury operations and financial risk management principles are defined in the Group Treasury Policy. The company's financial risks are centrally managed and administered by the Group Treasury that draws up financial risk reports for the Group management on a regular basis. The financial risks involved in Cargotec's business activities include currency, interest rate,

refinancing and liquidity, counterparty and operative credit risks. The company seeks to protect itself against these risks in order to ensure a financially sound basis for developing its business operations. For a more detailed description of financial risks, see page 54 of this report.

Operational Risks and Hazard Risks

Operational risks and hazard risks relate to persons, property, processes, products and internal and external operations. Materialisation of such risks may lead to bodily injuries, property damage, business interruption or product liability claims. In order to manage these risks, Cargotec has drawn up a programme whose main activities are directed at product safety, information security development and business continuity assurance.

Cargotec's main hazard risks include risks related to property, business interruption, general and product liability and logistics. The company uses Group-wide insurance coverage encompassing all units to protect itself against such risks.

An important focus and development area of risk management operations in Cargotec is the upgrading of risk management principles, ensuring the comprehensiveness of risk management operations. Additional focus areas are developing risk management activities and tools for the key risk areas.

Review by the Board of Directors

Markets

Investments in cargo handling in local transportation, distribution centers, terminals, ports, and ships remained strong. Demand for maintenance services also remained high.

Demand for Hiab's load handling equipment remained strong in North America and good in Europe throughout the year.

High demand for Kalmar's products persisted in North America, meanwhile in Europe and Asia demand was at a good level. Demand for yard handling equipment in particular was brisk throughout the year.

MacGREGOR's marine cargo flow solutions were in high demand due to the big order book at shipyards. Demand for ship cranes increased from the previous year and reached a record level. Demand for hatch covers and RoRo solutions was good.

Orders Received and Order Book

Orders received by Cargotec in 2005 amounted to EUR 2,385 (1–12/2004: 2,337) million. Orders received in the final quarter totaled EUR 590 million (10–12/2004: 610). Of full year orders received, Hiab accounted for EUR 831 (1–12/2004: 805) million, Kalmar for EUR 1,103 (1,066) million, and MacGREGOR for EUR 453 (468) million.

In December, Hiab received an order for 1,900 tail lifts from the United States. The tail lifts will be delivered in 2006.

In October, Hiab received an order for 390 loader cranes to be delivered to the British Army between 2006 and 2012. The cranes were developed in cooperation with the customer, and they are new product models in the air transportation compatible crane line.

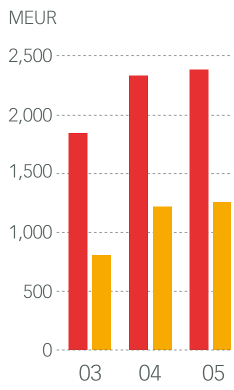
In August, Hiab secured a service contract for 550 loader cranes with a British company specializing in the transportation of building materials. This contract is a major step forward in developing Hiab's service business.

In the fall, Kalmar agreed with DP World on the delivery of 23 empty container lift trucks and 26 terminal tractors. The equipment will be delivered to Port Rashid and Jebel Ali Ports located close to Dubai in the first half of 2006.

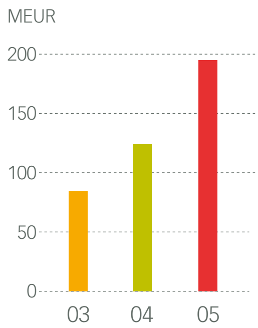
In September, Kalmar received an order for a total of 12 E-One RTG cranes from Columbia and Argentina. The cranes will be delivered in mid-2006.

In September, Kalmar secured a contract for 24 straddle carriers to the Port of Hamburg. The first units were delivered at the end of 2005, with completion scheduled for spring 2006. The straddle carriers are diesel-electric powered EDRIVE® ESC straddle carriers.

Orders Received
Order Book

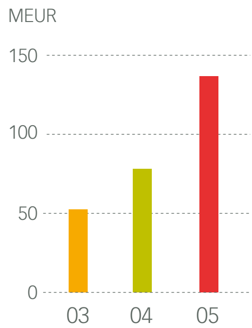


Operating Income



03: MEUR 84.6
04: MEUR 123.9
05: MEUR 194.8

Net Income for the Period



03: MEUR 52.5
04: MEUR 78.1
05: MEUR 136.6

In August, Kalmar received an order for 53 straddle carriers from South Africa. The value of this order is approximately EUR 37 million.

P&O Ports and Kalmar concluded a service agreement in August covering service, technical support, and spare parts for the 20 straddle carriers ordered in early 2005 for the new Antwerp Gateway terminal in Belgium.

In July, Kalmar concluded an eight-year service agreement with Port Réunion.

In March 2005, the India-based Gateway Terminals India Pvt Ltd signed an agreement with Kalmar for the delivery of 29 E-One RTG cranes to the Nhava Sheva port in India. The cranes will be delivered in 2006.

At the beginning of the year, Kalmar received a significant order for yard handling equipment from the Malaysian Sabah Ports Sdn Bhd. Deliveries to the port of Kota Kinabalu will begin in the first quarter of 2006.

In December, MacGREGOR secured a contract for the delivery of hatch covers for four post-Panamax class container ships. The ships will be delivered to the Chinese ship owner COSCO.

In October, MacGREGOR received several major ship crane orders from China, the United States, Singapore, and Indonesia with deliveries scheduled for 2006-2008. The total value of these orders is approximately EUR 14 million.

In the third quarter, MacGREGOR received the biggest ship crane order of its history from the Korean shipyard Hyundai Mipo Dockyard Co Ltd. The order is worth approximately USD 37 million. The cranes will be delivered in 2007–2008.

In July, the Swedish ship owner Wallenius Marine AB concluded a five-year service agreement with MacGREGOR. This contract covers the service of MacGREGOR products on seven PCTCs (pure car and truck carriers). Wallenius Marine chose the Total Onboard Care service level in which MacGREGOR will take full responsibility for the service of all its equipment onboard the selected vessels.

Cargotec's order book totaled EUR 1,257 million at the end of December 2005 (Dec. 31, 2004: 1,219). Of the total order book, Hiab accounted for EUR 197 (215) million, Kalmar for EUR 520 (549) million, and MacGREGOR for EUR 541 (455) million.

Net Sales

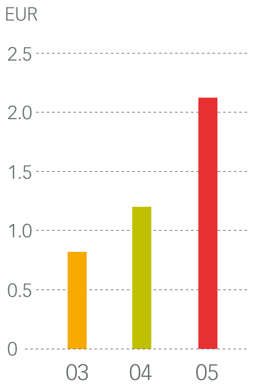
Cargotec's net sales grew strongly by 24 percent to EUR 2,358 million in 2005 (1–12/2004: 1,900). Sales grew in all market areas. Geographically sales grew most in Americas, where year-on-year growth was approximately 30 percent. Competitive products and services together with Cargotec's flexible operating model enabled the very strong organic sales growth.

Net sales in the final quarter amounted to EUR 621 million (10–12/2004: 551). Hiab's net sales in the final quarter amounted to EUR 231 (10–12/2004: 192) million. Kalmar's net sales were EUR 288 (263) million, and MacGREGOR's EUR 103 (95) million.

Cargotec's service business generated 15-percent growth with net sales amounting to EUR 492 million in 2005 (1–12/2004: 428). The proportion of service business of total net sales decreased slightly to 21 percent (23) as new equipment sales showed a strong increase.

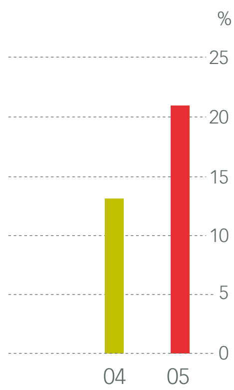
Kalmar's service business continued strong with 20 percent growth. MacGREGOR's service offering was further developed with the MacGREGOR Onboard Care concept and its good reception supported the service business 6 percent growth. In Hiab the service business grew by 14 percent compared to the previous year. Hiab's service business represented 13 (14) percent of

Basic Earnings/Share



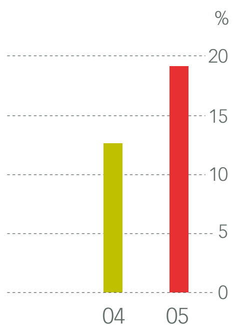
03: EUR 0.81
04: EUR 1.20
05: EUR 2.11

Return on Capital Employed



04: 12.9%
05: 20.9%

Return on Equity



04: 12.6%
05: 19.2%

net sales, Kalmar's 23 (26) percent, and MacGREGOR's 32 (32) percent.

Financial Result

Cargotec's operating income in 2005 totaled EUR 194.8 million (1–12/2004: 123.9). Operating income includes EUR 15.4 million capital gain from the sale of Consolis. Operating income without the capital gain was EUR 179.4 million, or 7.6 percent of net sales. Operating income for the final quarter excluding the capital gain was EUR 53.1 (10–12/2004: 38.9) million, or 8.6 (7.1) percent of net sales.

Hiab accounted for EUR 20.6 (12.0) million, Kalmar for EUR 27.8 (18.8) million, and MacGREGOR for EUR 8.4 (8.5) million of the final quarter's operating income.

Volume growth and persistent improvement of operational efficiency enabled a clear improvement in profitability.

Net income for the period was EUR 136.6 (1–12/2004: 78.1) million and earnings per share were EUR 2.11 (1.20).

Balance Sheet, Financing and Cash Flow

On December 31, 2005, Cargotec's net working capital amounted to EUR 206 (December 31, 2004: 183) million. Tangible assets on the balance sheet were EUR 196 (176) million and intangible assets EUR 487 (480) million.

Return on capital employed was 20.9 (12.9) percent.

Cash flow from operating activities before financial items and taxes for January-December, 2005 rose to EUR 194.1 (1–12/2004: 157.5) million, as a result of the good cash flow development in the second half of the year. Cash flow before financial items and taxes in the final quarter totaled EUR 82.7 (10–12/2004: 46.7) million.

Net debt on December 31, 2005 was EUR 121 (December 31, 2004: 281) million. Total equity/total assets ratio was 46.2 (42.2) percent while gearing decreased to 15.7 (43.0) percent.

On June 21, 2005, Cargotec issued a domestic, fixed-interest corporate bond at a nominal value of EUR 100 million and maturity of seven years. Its coupon rate is 3.80 percent and issue price 99.879 percent.

In addition, as part of the financial rearrangements associated with the demerger, Cargotec issued a EUR 150 million commercial paper program and agreed on new long-term loans and credit limits with banks for EUR 282 million.

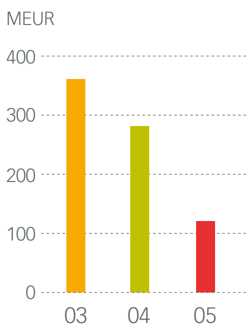
Capital Expenditure

Cargotec's capital expenditure excluding acquisitions and customer financing in 2005 totaled EUR 28.2 (1–12/2004: 24.4) million. Customer financing investments were EUR 28.4 (18.3) million.

In 2005, investments aimed at developing the service business, and increasing the flexibility of assembly operations and moving them closer to customers were continued.

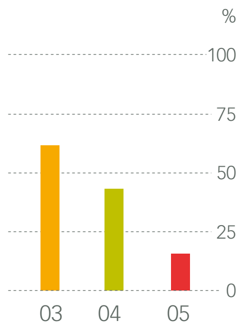
In June, Hiab started to assemble demountables in Shanghai, China. During 2005 measures were taken to enhance the production chain of the tail lift plant in Bispgården, Sweden. Hiab also improved the efficiency of truck-mounted forklift manufacturing by concentrating its truck mast manufacturing in Dundalk, Ireland, where also a new paintshop was taken into use. At the same time, the production model was renewed, which increased operational flexibility and allowed for larger delivery volumes. In Raisio, Finland investments in a new paintshop for demountables were started. The new paintshop will be commissioned in 2006.

Interest-Bearing Net Debt



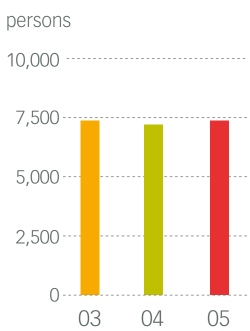
03: MEUR 361.1
04: MEUR 281.4
05: MEUR 120.5

Gearing



03: 61.7%
04: 43.0%
05: 15.7%

Average Number of Employees



03: 7,383
04: 7,201
05: 7,388

During the year, Kalmar invested in a new assembly plant in the Shanghai area. The plant is scheduled to launch operations in the first quarter of 2006. In Malaysia, the extension of the Bromma spreader manufacturing plant began and in Ottawa, US, the assembly of forklift trucks started.

Product Development

During the reporting period, Cargotec's research and development expenditure was EUR 29.7 (1–12/2004: 29.0) million, representing 1.3 (1.5) percent of net sales.

During the year, Hiab launched 14 new load handling products onto the market. In the final quarter, a new XS 377 crane was introduced, which complements the heavy range of XS loader cranes. In addition, a new XR 10 hook-lift was introduced.

The new top-lift forklift truck model Kalmar launched onto the market in November to meet the needs of the container handling market in the US in particular was well received.

In the port of Brisbane, Australia, 14 fully automated Kalmar EDRIVE® straddle carriers were taken into use in December. The straddle carriers are equipped with motion detection and navigation systems and are operated without a driver. Five automated straddle carriers have been in use in a part of the port since 2002.

MacGREGOR continued its work to develop an electronic ship crane and a new generation of crane control system. The development work on a new electronically operated hatch cover continued.

Structural Changes

In 2005, Cargotec made a number of structural changes that support its strategy to focus on assembly, to move closer to its customers, and to grow its service business.

In September, Cargotec signed an agreement to divest its 42 percent minority interest in Consolis, a manufacturer of precast concrete elements. Consolis was divested to a consortium comprising institutional investors represented by the European private equity firm Industri Kapital, certain co-investors, and the company management. The deal was finalized on October 31, 2005. The final transaction price of Cargotec's interest was approximately EUR 82 million. Capital gain from the transaction recorded in the company's operating income for October–December was EUR 15.4 million.

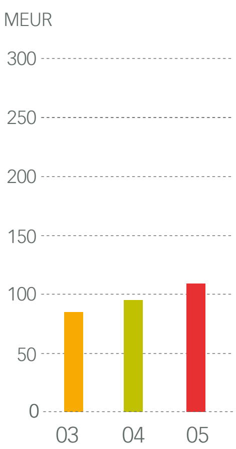
On July 8, MacGREGOR signed an agreement to acquire All Set Marine Lashing, which specializes in providing container-securing equipment. All Set Marine Lashing is a privately owned company that had net sales of approximately EUR 14 million in 2004. The deal was closed on November 21, 2005.

In September, Hiab opened a representative office in Bangalore, India. Kalmar also established its own sales company in India by acquiring a 51-percent majority holding of its Indian agent Indlift. These arrangements were made to cater to the growing demand in the area.

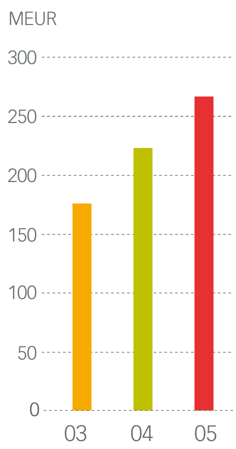
In June, Hiab signed an agreement to acquire the business operations of its long-term business partner Transmachine Oy. Transmachine's business operations cover the sale and installation of superstructures for trucks and related service operations. The business operations have been transferred into Hiab's Finnish sales organization.

In March, Kalmar strengthened its strategy by acquiring two Dutch companies, Peinemann Kalmar CV and Peinemann Kalmar Rental BV, which specialize in the maintenance and rental businesses. Also in March, Kalmar sold Finmec, an Estonian-based company specializing in welding.

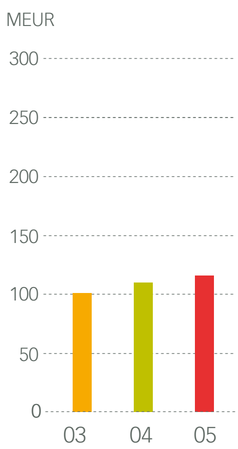
Hiab's Service Business



Kalmar's Service Business



MacGREGOR's Service Business



In February, Hiab signed an agreement to sell the entire share capital of the Swedish Zetterbergs Produkt AB, a manufacturer of tipper and dumper bodies and superstructures, to the company's operational management. The deal was finalized in April.

Cargotec agreed on December 2, 2004 to purchase the entire share capital of the global marine cargo flow solution provider MacGREGOR International AB from the Swedish companies Industri Kapital and Gambro. The acquisition was finalized on March 4, 2005. The debt-free transaction price was approximately EUR 180 million. The galley business was sold to the Finnish Almaco Group. As part of the demerger, the ship elevator business was transferred to KONE's elevator and escalator business, and is not included in Cargotec's pro forma figures.

The group structure was simplified by merging Kone Cargotec Oy with Cargotec Corporation on December 31, 2005.

Employees

On December 31, 2005, Cargotec had a total of 7,571 employees (Dec. 31, 2004: 7,294), with Hiab accounting for 3,417 (3,420) persons, Kalmar 3,210 (2,936), and MacGREGOR 899 (900). During the year, Cargotec's group level functions were strengthened in preparation for the stock market listing on June 1, 2005, and on December 31, 2005 the group level functions consisted of a total of 45 persons.

Of Cargotec's total employees, 19 percent were located in Finland, 27 percent in Sweden, and 26 percent in the rest of Europe. North and South American personnel represented 15 percent, Asia Pacific 12 percent, and rest of the world 1 percent of total employees.

Environment

Cargotec products' main environmental effects are related to their use. The company has therefore extended its environmental thinking to cover the product's entire life cycle, taking environmental and safety issues into consideration in the product planning and research and development stage. The recyclability of most of Cargotec's products is high due to their substantial steel content.

Cargotec's environment, health, and safety (EHS) management is based on the Group's risk management and environmental policies and guidelines as well as environmental, health, and safety systems. The EHS tool used is the generally accepted ISO 14001 environmental standard.

Six Hiab units and five Kalmar units have a certified environmental system. MacGREGOR has no production of its own but commissions its products from selected subcontractors that are independently responsible for their production processes.

Risks and Risk Management

Cargotec's President and CEO and the Executive Committee are responsible for the Group's risk management activities, their implementation and control, and report to the Board of Directors. The company has an internal auditor who is responsible for internal control and business risk auditing and reports to the Board's Audit Committee. The Group's Risk Management function creates and develops Group-wide risk management principles and operating models, and supports their application and implementation in the business areas and units. The Group Treasury function manages financial risks centrally while the business areas and units are responsible for managing the risks involved in their own operations.

Strategic and business risks are related to business cycles in the global economy as well as Cargotec's customer industries, the availability and prices of raw materials and components, and dealers' and subcontractors' activities. Cargotec has prepared for these risks by attempting to identify and anticipate them in advance, making long-term procurement agreements, and seeking alternative suppliers.

Cargotec's Group Treasury manages financial risks according to the Group Treasury Policy approved by the Treasury Committee. The Policy is based on the main financing principles approved by the Board of Directors. Cargotec seeks to protect itself against financial risks involved in its business in such a way as to ensure a financially sound basis for developing its business operations. Cargotec hedges its estimated currency-denominated sales and purchases.

Cargotec's operational risks and hazard risks relate to persons, property, processes, products, and internal and external operations. In order to manage these risks, Cargotec has drawn up a program with the key objective to improve product safety and information security, and to ensure business continuity. Group-wide insurance coverage encompassing all units is used to protect against hazard risks.

Cargotec Ownership Reorganization

On June 30, 2005, Cargotec Corporation was informed, as part of the April 5, 2005 reorganization, of the demerger of Security Trading Ltd becoming effective and of agreements, which resulted in changes in the ownership structure. On June 29, 2005, Security Trading Ltd demerged into four companies, Security Trading Ltd, Sijoitus-Wipunen Ltd, D-sijoitus Ltd and Mariatorp Ltd. The companies and their main shareholders carried out on June 30, in accordance with the terms and conditions of the agreement made on April 5, 2005, mutual transfers that resulted in Sijoitus-Wipunen Ltd, D-sijoitus Ltd and Mariatorp Ltd becoming the largest shareholders in Cargotec. As a result of the transfers Security Trading Ltd no longer owns shares in Cargotec.

Following the reorganization, Ilkka Herlin (Sijoitus-Wipunen Ltd), Ilona Herlin (D-sijoitus Ltd) and Niklas Herlin (Mariatorp Ltd) each control over 10 percent of the shares of Cargotec and over 20 percent of the votes.

On July 1, 2005, Cargotec was informed that Holding Manutas Ltd, a company in which Antti Herlin exercises controlling power, had sold all its Cargotec shares as part of the ownership reorganization.

Decisions taken at the Extraordinary Shareholders' Meeting

Cargotec's Extraordinary Shareholders' Meeting was held on July 12, 2005 in Helsinki. The Meeting decided to confirm the number of members in the Board of Directors as six and appointed, according to the proposal of the Nomination Committee of the demerged Kone Corporation, the following members to the Board of Directors: Henrik Ehrnrooth, Tapio Hakakari, Antti Herlin, Ilkka Herlin, Peter Immonen and Karri Kaitue.

The Extraordinary Shareholders' Meeting authorized the Board of Directors to decide to repurchase the Company's own shares with assets distributable as profit. Own shares can be repurchased for use in possible acquisitions or in other arrangements as well as to develop the Company's capital structure. The maximum amount of repurchased own shares shall be less than ten percent of the Company's share capital and total voting rights. This corresponds to a maximum of 6,367,000 shares so that a maximum of 952,000 class A shares and a maximum of 5,415,000 class B shares can be repurchased. The repurchase authorization is in effect for one year from the date of the Meeting's decision.

In addition, the Extraordinary Shareholders' Meeting authorized the Board of Directors to decide to distribute any shares repurchased. The shares may be used as compensation in acquisitions or in other arrangements in the manner and to the extent decided by the Board of Directors. The Board of Directors was also granted the right to decide on the distribution of the shares at public trading as compensation in possible acquisitions. The authorization is limited to a maximum of 952,000 class A shares and a maximum of 5,415,000 class B shares repurchased by the Company. The authorization to distribute shares is in effect for a period of one year from the date of the Meeting's decision.

Organization of the Board of Directors

In its organizational meeting, the Board of Directors elected Ilkka Herlin Chairman of the Cargotec Board and Henrik Ehrnrooth Deputy Chairman, as proposed by the Nomination Committee. Kari Heinistö, Senior Executive Vice President and CFO, acts as secretary to the Board. In addition, the Board decided to set up the following two committees to assist in its work: the Audit Committee and the Nomination and Compensation Committee.

Karri Kaitue acted as the Chairman of the Audit Committee, and Ilkka Herlin and Peter Immonen served as members. Ilkka Herlin acted as the Nomination and Compensation Committee's Chairman and Tapio Hakakari and Peter Immonen as its members.

The Board of Directors has also reviewed the independence of its members as defined in the corporate governance recommendation issued by the Helsinki Stock Exchange, and stated that members of the Board of Directors are independent of the company and, with the exception of Ilkka Herlin, also independent of major shareholders.

Share Repurchases

During the reporting period, Cargotec purchased a total of 203,700 class B shares at an average price of EUR 24.60. On December 31, 2005, the company held 203,700 class B shares. Shares held by the company represent 0.37 percent of the total number of class B shares and votes. The shares held by the company represent 0.1 percent of the total voting rights.

Management Incentive Scheme

During the reporting period, Cargotec's Board of Directors elected in July confirmed a top management incentive scheme tied to the company's share performance in 2005-2007 and to pro forma net income in 2005-2006. This scheme supplements the management's current annual incentive scheme that is based on financial and personal performance targets. In deciding on the new scheme, the Board of Directors stated that it is in the interest of the new company's shareholders to include also the share performance in the top management's compensation system.

The incentive scheme covers 35 top management members. The Board of Directors has as part of the scheme allocated the option program's remaining 20,660 class B stock options to be used at a later stage for management compensation.

Cargotec's Dividend Policy

Cargotec Corporation's Board of Directors confirmed during the year the Company's dividend policy. Cargotec's growth targets and the resulting financing needs have been taken into account in determining the dividend policy. According to the dividend policy Cargotec's annual dividend will be 30–50 percent of the Company's net income.

The aim is to further strengthen Cargotec's global market leader position by growing both organically as well as through acquisitions. The Board of Directors states that in addition to profitable growth, shareholder value creation will be supported by a competitive dividend policy and possible share buy backs.

For the year 2005 the dividend payout is determined based on the net income of the Company's first official financial period of June 1–December 31, 2005. Cargotec Corporation's Board of Directors will propose at the Annual General Meeting that a dividend of EUR 0.64 per each class A and EUR 0.65 per each class B share be paid.

Events after the Reporting Period

In January, Kalmar was chosen to supply the automatic stacking crane system (ASC) and related technology for the Port of Hamburg's biggest terminal operator, HHLA.

In addition, Kalmar received an order for 25 straddle carriers from South Africa. The deliveries of the straddle carriers to Durban port will start in late summer 2006.

Hiab signed in January an agreement to acquire Dutch tail lift producer AMA. The acquisition is subject to completion of a due diligence process. AMA consists of a manufacturing company AMA Polska Sp.z.o.o. based in Poland and a sales company Stama B.V. in the Netherlands. AMA employs approximately 55 people and had net sales of approximately EUR 4 million in 2005.

In January the Finnish National Board of Taxes determined the acquisition cost of Cargotec shares to be 35.5 percent of the initial acquisition cost of shares in demerged Kone Corporation.

Outlook

Cargotec's market situation is expected to remain good. Together with the strong order book at the beginning of the year this gives a good basis for further sales growth. Organic growth is, however, estimated to even out to a moderate level. In line with the strategy, acquisitions that complement the business will be continued. The focus on improving operating margins remains.

Annual General Meeting 2006

Cargotec Corporation's Annual General Meeting will be held at the Marina Congress Centre in Helsinki on Tuesday February 28, 2006 at 2 p.m.

Helsinki, January 31, 2006
Cargotec Corporation
Board of Directors

Cargotec's Pro Forma Review – Consolidated Financial Statements (IFRS)

Consolidated Income Statement

MEUR	Note	Jan 1–Dec 31, 2005	%	Jan 1–Dec 31, 2004*	%
Sales	**4, 6**	**2,357.9**		**1,900.4**	
Cost of goods sold		-1,882.2		-1,502.8	
Gross profit		**475.7**	**20.2**	**397.6**	**20.9**
Gain on the sale of Consolis		15.4		-	
Other operating income		19.3		12.4	
Selling and marketing expenses		-150.9		-140.9	
Research and development expenses		-29.7		-29.0	
Administration expenses		-118.9		-102.8	
Other operating expenses		-16.1		-13.4	
Operating income	**4, 7, 8**	**194.8**	**8.3**	**123.9**	**6.5**
Share of associated companies' net income		6.6		3.3	
Financing income and expenses		-10.4		-14.0	
Income before taxes		**191.0**	**8.1**	**113.2**	**6.0**
Taxes		-54.4		-35.1	
Net income for the period		**136.6**	**5.8**	**78.1**	**4.1**
Net income for the period attributable to					
Shareholders of the parent company		134.5		76.7	
Minority interest		2.1		1.4	
Total		**136.6**		**78.1**	
Earnings per share for profit attributable to the shareholders of the parent company	**9**				
Basic earnings per share, EUR		2.11		1.20	
Diluted earnings per share, EUR		2.10		1.20	
Basic earnings per share excluding gain on the sale of Consolis, EUR**		1.90			

* Disregarding EUR 3.1 million non-recurring income due to a provision reversal regarding disability pensions

** Gain on sale after taxes deducted from the earnings

Consolidated Balance Sheet

MEUR	Dec 31, 2005	Dec 31, 2004
Assets		
Non-current assets		
Goodwill	440.7	435.0
Other intangible assets	46.4	44.5
Property, plant and equipment	196.3	175.7
Investments in associated companies	1.6	64.6
Available-for-sale investments	1.1	0.2
Loans receivable and other interest-bearing assets 1)	0.9	0.3
Deferred tax assets	50.7	46.0
Other non-interest-bearing assets	1.6	3.3
Total non-current assets	**739.3**	**769.6**
Current assets		
Inventories	464.4	381.8
Loans receivable and other interest-bearing assets 1)	0.3	0.6
Income tax receivables	8.2	16.1
Accounts receivable and other non-interest-bearing assets	453.8	424.7
Cash and cash equivalents 1)	114.5	46.3
Total current assets	**1,041.2**	**869.5**
Total assets	**1,780.5**	**1,639.1**

1) Included in interest-bearing net debt

MEUR	Dec 31, 2005	Dec 31, 2004
Equity and Liabilities		
Capital and reserves attributable to the shareholders of the parent company		
Share capital	63.9	63.8
Share premium account	95.1	93.8
Treasury shares	-5.0	-
Translation differences	4.9	-7.3
Fair value and other reserves	-10.3	14.9
Retained earnings	611.4	483.2
Total shareholders' equity	**760.0**	**648.4**
Minority interest	7.2	5.6
Total equity	**767.2**	**654.0**
Non-current liabilities		
Loans 1)	197.1	135.8
Deferred tax liabilities	18.5	22.6
Pension obligations	35.1	34.0
Provisions	18.2	6.3
Other non-interest-bearing liabilities	12.1	8.6
Total non-current liabilities	**281.0**	**207.3**
Current liabilities		
Current portion of long-term loans 1)	21.8	5.4
Other interest-bearing liabilities 1)	17.3	187.4
Provisions	45.9	34.0
Income tax payables	18.4	14.9
Accounts payable and other non-interest-bearing liabilities	628.9	536.1
Total current liabilities	**732.3**	**777.8**
Total equity and liabilities	**1,780.5**	**1,639.1**

1) Included in interest-bearing net debt

Consolidated Statement of Changes in Equity

	Attributable to shareholders of the parent company								
MEUR	Share capital	Share premium account	Treasury shares	Translation differences	Fair value and other reserves	Retained earnings	Total	Minority interest	Total equity
Equity on Jan 1, 2004	**63.8**	**93.8**	**-**	**-2.9**	**19.6**	**406.5**	**580.8**	**4.7**	**585.5**
Cash flow hedges					-4.7		-4.7		-4.7
Translation differences				-4.4			-4.4	-0.1	-4.5
Net income recognized directly in equity	-	-	-	-4.4	-4.7	-	-9.1	-0.1	-9.2
Net income for the period						76.7	76.7	1.4	78.1
Total recognized income and expense for the period	-	-	-	-4.4	-4.7	76.7	67.6	1.3	68.9
Other changes								-0.4	-0.4
Equity on Dec 31, 2004	**63.8**	**93.8**	**-**	**-7.3**	**14.9**	**483.2**	**648.4**	**5.6**	**654.0**
Cash flow hedges					-25.2		-25.2		-25.2
Translation differences				12.2			12.2	1.0	13.2
Share-based incentives, value of received services						0.9	0.9		0.9
Net income recognized directly in equity	-	-	-	12.2	-25.2	0.9	-12.1	1.0	-11.1
Net income for the period						134.5	134.5	2.1	136.6
Total recognized income and expenses for the period	-	-	-	12.2	-25.2	135.4	122.4	3.1	125.5
Shares subscribed with options	0.1	1.3					1.4		1.4
Acquisition of treasury shares			-5.0				-5.0		-5.0
Other changes						-7.2	-7.2	-1.5	-8.7
Equity on Dec 31, 2005	**63.9**	**95.1**	**-5.0**	**4.9**	**-10.3**	**611.4**	**760.0**	**7.2**	**767.2**

Condensed Consolidated Cash Flow Statement

MEUR	1 Jan–31 Dec, 2005	1 Jan–31 Dec, 2004
Operating income	194.8	123.9
Gain on the sale of Consolis	-15.4	-
Change in working capital	-23.2	1.1
Depreciation	37.9	32.5
Cash flow from operations	**194.1**	**157.5**
Cash flow from financial items and taxes	-38.7	-34.8
Cash flow from operating activities	**155.4**	**122.7**
Cash flow from investing activities	-72.6	-43.0
Sale of Consolis	81.7	-
Acquisition of treasury shares	-5.0	-
Proceeds from share subscriptions	1.4	-
Change in net debt	**160.9**	**79.7**
Interest-bearing net debt in the beginning of period	281.4	361.1
Interest-bearing net debt in the end of period	120.5	281.4
Change in net debt	**160.9**	**79.7**

Pro Forma Notes

1. Accounting Principles

General Information

Cargotec Corporation is a Finnish limited liability company domiciled in Helsinki. Cargotec Corporation has been listed on the Helsinki Stock Exchange since June 1, 2005. Cargotec is the world's leading supplier of cargo handling solutions. The official consolidated financial statements of Cargotec for the financial period June 1–December 31, 2005 have been prepared in accordance with International Financial Reporting Standards, IFRS as adopted by the EU. The following new standards have been applied during the financial period: IFRS 2 (Share-based Payment) and IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations).

In this pro forma review Cargotec's financial information is presented based on the business and corporate structure following the demerger of Kone Corporation. The comparison figures for 2004 and 2003 have been calculated according to the same structure to facilitate the evaluation of the Company. Hence, MacGREGOR's marine cargo flow business acquired in spring 2005 is included in the pro forma figures of all comparison periods. Pro forma information is unaudited and it is based on International Financial Reporting Standards. The accounting principles of Cargotec's official consolidated financial statements presented below have been applied when suitable.

Cargotec has also issued official consolidated financial statements for its first seven months financial reporting period June 1–December 31, 2005.

The pro forma information is presented in millions of euros and is based on the historical cost convention unless disclosed otherwise in these accounting principles.

Use of Estimates

The preparation of the financial statements in accordance with International Financial Reporting Standards requires Cargotec's management to make estimates and assumptions influencing the reported closing date assets and liabilities, the disclosure of contingent assets and liabilities in notes, and the reported amounts of income and expenses of the financial period. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from the estimates. Accounting estimates are employed in the financial statements to determine reported amounts, including impairment of goodwill and other assets, useful lives of tangible and intangible assets, provisions and taxes.

Consolidation Principles

The consolidated financial statements include the parent company Cargotec Corporation and the companies, which it owns directly or indirectly (more than 50% of the voting rights or in which it otherwise has control). Inter-company shareholdings have been eliminated by using the purchase method. Investments in associated companies (20–50% of the voting rights or significant influence on the company) are accounted for in the consolidated financial statements under the equity method.

All inter-company transactions, receivables, liabilities, unrealized profits and distribution of profits within the Group, are eliminated in the consolidated financial statements. Distribution of net income for the period to the shareholders of the parent company and to minority interest is presented in the income statement. Equity attributable to minority interest is disclosed as a separate item in the equity.

Subsidiaries acquired during the financial period are included in the consolidated financial statements from the date of acquisition, and divested subsidiaries up to the date of sale.

Foreign Currency Transactions

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. Foreign-currency denominated receivables and liabilities are translated using the exchange rate of the balance sheet date. Foreign exchange gains and losses related to normal business operations are treated as adjustments to sales or costs. Foreign exchange gains and losses associated with financing are included in financial income and expenses.

Foreign Subsidiaries

Items of each subsidiary included in the consolidated financial statements are measured using the currency that best reflects the operational environment of that subsidiary ("the functional currency"). The consolidated financial statements are presented in euros, which is the functional and reporting currency of the parent company.

The income statements of subsidiaries whose functional currency is other than euro are translated into euros using the average exchange rate of the financial period. Balance sheet items, with the exception of net income for the financial period, are translated into euros with the balance sheet exchange rate. Translation differences caused by different exchange rates are recorded in equity.

Translation differences caused by elimination of shareholdings in foreign subsidiaries and translation differences from equity items recognized after the acquisition date are recorded as a separate item in the equity. When a subsidiary is sold, accumulated translation differences are recognized in the income statement as part of the gain or loss on the sale.

Segment Reporting

The primary format for reporting segment information is business segments and the secondary format is geographical segments. Business segments produce products and services subject to risks and returns that are different from those of other business segments. Secondary segments are the main market areas where products and services are subject to risks and returns that are different from those of segments operating in other economic environments. Sales are reported by the geographical location of the customer and assets and capital expenditure by the geographical location of the assets.

Revenue Recognition

Sale of goods is recognized after the significant risks and rewards connected with ownership have been transferred to the buyer, and Cargotec retains neither a continuing right to dispose of the goods, nor effective control of the goods. The main rule is that revenue is recorded when goods have been handed over to the customer in accordance with the agreed contractual terms.

Revenues from repairs are recognized when the work has been carried out and revenues from services when the service has been rendered.

Revenues from separately identified construction contracts are recorded as sales under the percentage of completion method when the outcome of the project can be measured reliably. The percentage of completion is determined by reference to the individual contract costs incurred to date as a percentage of the total estimated contract costs. When the conditions for percentage of completion method are not met costs are recognized as incurred and revenues to the extent that such costs are expected to be recovered. Possible contract losses are recognized as an expense immediately.

Research and Development Costs

Research and development costs have been expensed when incurred as future economic benefits of new products are proven at such a late stage that the portion to be activated is immaterial and hence, the costs are not activated.

Income Tax

Tax expense in the income statement includes taxes on the period's taxable income of the Group companies, together with tax adjustments for previous financial periods and the change in deferred taxes. The income tax effects of items recognized directly in equity are recognized similarly directly in equity. Deferred tax assets or liabilities are calculated based on temporary differences between financial reporting and the tax basis of assets and liabilities, measured with enacted tax rates. Temporary differences arise from e.g. defined benefit plans, provisions, elimination of inter-company inventory profits, depreciation differences on tangible assets, untaxed reserves, tax losses carried forward and fair value adjustments of assets and liabilities of acquired companies. Deferred tax assets relating to tax losses carried forward and other temporary differences are recognized only to the extent that it is probable that future taxable profits will be available, against which unused tax losses can be utilized.

Goodwill

Acquired companies are accounted for using the purchase method according to which the assets and liabilities of acquired company are measured at fair value at the date of acquisition. Goodwill represents the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities. Goodwill is tested for impairment at least annually by using a cash flow based valuation method in which goodwill is allocated to cash-generating units. Goodwill is stated at cost less any impairment losses. Impairment losses are recognized in the income statement.

Other Intangible Assets

Other intangible assets include patents, trademarks, licenses, software, acquired order book and customer relationships. Other intangible assets acquired in a business combination are valued at fair value. Intangible assets with definite useful life are stated at cost less accumulated amortizations and impairment losses, if any. These assets are amortized on a straight-line basis over their useful lives, which do not typically exceed 10 years. Development or acquisition costs of new software clearly associated with an identifiable and unique product controlled by the Group and having probable economic benefit exceeding its cost, are recognized as an intangible asset and amortized on a straight-line basis over the useful life. Trademarks with indefinite useful lives are not amortized, but they are tested for impairment by using cash flow based valuation method. Impairment losses are recognized in the income statement.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciations and impairment losses, if any. Depreciations are recorded on a straight-line basis over the expected economic useful lives of the assets as follows:

Buildings	5–40 years
Machinery and equipment	4–10 years

Land and water areas are not depreciated.

Ordinary maintenance and repairs costs are charged to income statement during the financial period in which they are incurred. The cost of major renovations is included in the asset's carrying amount.

Gains and losses on sales of property, plant and equipment are included in operating income.

Impairments

The carrying amounts of non-current tangible and other intangible assets and that of other assets are reviewed for potential impairment annually. Should any indication arise the asset is tested for impairment. Impairment test determines the recoverable amount of an asset. The recoverable amount is higher of the net selling price and the cash flow based value in use. An impairment loss is charged to the income statement when the carrying amount exceeds the recoverable amount.

A previously recognized impairment loss is reversed only if there has been a significant change in the estimates used to determine the recoverable amount, however not to an extent higher than the carrying amount that would have been determined had no impairment loss been recognized in prior years.

Goodwill and intangible assets with indefinite useful lives are tested for impairment when any indication of impairment exists, however at least annually. Goodwill is allocated to the cash-generating units (CGU) of the Group, identified according to the business unit at the level which goodwill is monitored for internal management purposes. The recoverable amount of a CGU is determined by value-in-use calculations. In assessing the recoverable amount, estimated future cash flows are discounted to their present value based on the weighted average cost of capital prevailing in the Group for the currency area, where the cash-generating unit can be considered to be located. The weighted average cost of capital reflects the average, long-term financial structure of the Group and shareholder risk premium. Impairment losses recognized for goodwill in the income statement are not reversed.

Leases (Cargotec as lessee)

Cargotec has rented property, plant and equipment. Lease agreements in which the lessor bears the ownership risks and rewards are classified as operating leases. Operating lease expenses are charged to the income statement on a straight-line basis over the lease period.

Lease agreements in which the Group has substantially all of ownership risks and rewards are classified as finance leases. Finance lease agreements are entered in the balance sheet as assets and liabilities at the inception of the lease period at the lower of the fair value of the leased equipment or the estimated present value of the minimum lease payments. Assets acquired under finance lease agreements are depreciated over the shorter of the useful life of the asset or lease period. Lease payments are allocated between repayment of the lease liability and finance charge, so as to achieve a constant interest rate on outstanding balance. Lease obligations, net of finance charges, are included in interest-bearing liabilities.

Customer Finance

Customer finance arrangements are used in different customer segments, distribution channels and geographical markets. For these arrangements the Group is involved in arranging financing for the customer and/or the dealer. Customer finance contracts can either be operating or finance lease contracts, hire purchase contracts or loans with similar features. In operating lease agreements, the end customer has the sole right to use the equipment. In finance lease agreements, the risks and rewards of ownership are transferred to the end customer, even if legal title remains with the financing partner. Revenue recognition and balance sheet treatment of sales transactions that include end customer or dealer financing depend on the substance of the transaction.

Finance lease receivables are stated on the balance sheet at the present value of lease payments. Financial income is recognized over the lease period, so as to achieve a constant interest rate on outstanding balance. The Group has not had any finance lease receivables related to customer finance.

Equipment rented out under operating lease contracts is included in tangible assets in the balance sheet. Rent income is recognized in the income statement on a straight-line basis over the lease period.

Inventories

Inventories are measured at the lower of cost or estimated net realizable value. Cost is determined using standard cost, which approximates actual cost on a first in first out (FIFO) basis. The cost of finished goods and work in progress includes raw materials, direct labor, other direct costs and a proportion of both indirect costs related to manufacturing and overheads. An allowance is recorded for obsolete items. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and costs necessary to make the sale.

Accounts Receivable

Accounts receivable are stated at originally invoiced amount less an estimate made for doubtful receivables. Doubtful receivables are determined based on individual assessment of potential risk and on the basis of historical experience. Bad debts are written off when identified.

Financial Assets

Financial assets are classified as held-to-maturity investments, loans and other receivables and financial assets available-for-sale. The held-to-maturity investments are valued at accrued cost and they are included in long-term or short-term financial assets. Loans and other receivables are not quoted in the market and they are not kept for trading purposes. The financial assets available-for-sale may consist of shares and interest-bearing investments and they are recorded in long-term assets except investments with maturities less than 12 months. Short-term financial assets available-for-sale are valued at fair value. Changes in fair values are booked in the fair value reserve in equity taking the tax effect into account. The changes in fair values are recycled from equity to income statement when the investment is sold or when its fair value has decreased so that recognition of an impairment loss is required.

The Group has not had any held-to-maturity investments.

Loans receivable are measured at amortized cost using the effective interest method. An impairment loss is recognized on loans receivables if their carrying amount is greater than the estimated recoverable amount.

Cash and Cash Equivalents

Cash and cash equivalents include cash balances, short-term deposits with banks and other short-term liquid investments with maturity up to three months. Bank overdrafts are included in other current liabilities.

Derivative Financial Instruments and Hedge Accounting

On the date a derivative contract is entered into, the Group designates it as either a) cash flow hedge of highly probable cash flow or firm commitment, b) fair value hedge of loan or deposit, other balance sheet item or firm commitment in foreign currency, c) hedge of investment in foreign entity or as d) derivative that does not qualify for hedge accounting.

When starting hedge accounting the Group documents the hedge relationship of the derivative instrument and the underlying hedged item, the Group's risk management targets and the strategy of applying hedge accounting. When starting hedge accounting and at least in every interim closing the Group documents and estimates the effectiveness of the hedge relationship by measuring the change in the fair value of the hedging instrument against change in the fair value of the hedged item. The ineffective portion is recognized in the income statement.

Changes in the fair value of hedges qualifying as cash flow hedges that are effective are recognized in equity in the fair value and other reserves. Cumulative gain or loss of derivatives deferred to equity is recycled to the income statement and classified as revenue or expense in the periods when the hedged item affects the income statement. Changes in the fair value of cash flow hedges that no longer qualify for hedge accounting under IAS 39 are recognized immediately in the income statement.

Changes in the fair value of derivatives that qualify as fair value hedges are recorded in the income statement together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. Any gain or loss on effective hedges of net investments in foreign operations is recognized in equity through the statement of changes in equity. The gains and losses accumulated in equity on efficient portion of the hedging instrument are transferred to income statement when the foreign operation is disposed of.

Hedges that do not qualify for hedge accounting are recognized in the income statement, alongside the change in the valuation of the underlying exposure.

Derivative instruments are initially recognized on the balance sheet at cost, which is equal to the fair value, and subsequently measured at their fair value on each balance sheet date.

Fair values of FX forward contracts and forward rate agreements are calculated based on quoted market rates at the balance sheet date. The fair value of currency and interest rate swaps is calculated as the present value of the estimated future cash flows. The options are valuated based on generally accepted valuation models.

Loans Payable

Loans payable by the Group are initially recognized at cost, net of transaction costs incurred. Interest and transaction costs are accrued and recorded in the income statement over the period of the loan payable using the effective interest rate method.

Pension Obligations

The Group operates various pension plans in accordance with local conditions and practices. The plans are classified as either defined contribution plans or defined benefit plans. Contributions to the defined contribution plans are charged directly to the income statement in the year to which these contributions relate.

Defined benefit plans are funded through payments to insurance companies or pension funds as determined by actuarial calculations. The liability of defined benefit pension plan is the present value of future obligations less the fair value of plan assets together with adjustments for unrecognized actuarial gains or losses. Pension costs assessed by annual actuarial calculations, are recognized in the income statement over the expected average remaining working lives of the employees. The liability of defined benefit pension plan is determined by projected unit credit method. Yield of high quality bond issued by corporate or government is used as discount factor in net present value calculation. Unrecognized actuarial gains or losses are booked in the statement of income over the expected average remaining working lives of the employees to the extent that they exceed the greater of 10% of the liability or 10% of the fair value of plan assets.

Provisions

Provisions are recognized when the Group has a current legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are accounted for using the best estimate for the costs required to settle the obligation on the balance sheet date. In case the time value of money is significant the provision is stated at present value.

Provisions for warranties cover the estimated costs to repair or replace products still under warranty on the balance sheet date. Provision for warranty is calculated based on historical experience of levels of repairs and replacements. Obligations arising from restructuring plans are charged to the income statement when the detailed and formal plans have been established and the implementation of plan has been launched or the plan has been communicated.

Treasury Shares

When the Group purchases shares of Cargotec Corporation, the consideration paid and directly attributable costs are recognized as a deduction in equity. When such shares are sold, the consideration received, net of directly attributable transaction costs and income tax effect, is included in equity.

Share-based Payment

Cargotec has applied IFRS 2 (Share-based Payment) to all option plans in which the share options have been granted after November 7, 2002 and which have not vested before January 1, 2005. Options are valued at fair value on the grant date and they are charged to the income statement over the vesting period. The expense determined on the grant date is based on the estimate of the number of options that are expected to become exercisable in the end of vesting period. Fair value is determined on the basis of market prices or by using Black-Scholes option pricing model. When the options are exercised, the proceeds received, net of any transaction costs, are credited to share capital (nominal value) and share premium account.

Adoption of New or Revised IFRS Standards

In 2006 Cargotec will adopt the following standards and interpretations published by the IASB during 2004 and 2005:

- IAS 19 (Amendment): Employee Benefits
- IAS 21 (Amendment): Net Investment in Foreign Operation
- IAS 39 (Amendment): The Fair Value Option
- IAS 39 and IFRS 4 (Amendment): Financial Guarantee
- IFRIC 4: Determining Whether an Arrangement Contains a Lease
- IFRIC 5: Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

The Group does not expect the adoption of these standards and interpretations to have a significant impact on future consolidated financial statements.

In 2007 Cargotec will adopt the following standard published by the IASB in 2005:

- IFRS 7 - Financial Instruments: Disclosures, and a Complementary Amendment of IAS 1

The Group expects the standard to have an impact mainly on the notes to the consolidated financial statements.

2. Financial Risk Management

Financial risks in Cargotec are divided into currency risks, interest rate risks, liquidity risks, counterparty risks and operative credit risks. The aim is to protect Cargotec against the fluctuations on the financial markets and minimise the effect of realised risks to the Group's cash flow, income statement and balance sheet.

Cargotec's Group Treasury is responsible for centrally managing financial risks according to the Group's treasury policy approved by the Treasury Committee. The policy is based on the main principles for treasury management approved by Cargotec's Board of Directors.

Currency Risks

Cargotec operates globally and is, thus, exposed to risks and translation differences arising from exchange rate fluctuations. Besides EUR the most important invoicing currencies are USD and SEK. A significant part of the expenses are in EUR, USD and SEK.

The policy of the Group is to fully hedge the initial transaction exposure so that the effect of foreign exchange rate changes on already contracted and highly probable sales and purchase contracts are eliminated. This gives the business time to react and adapt to changes in the exchange rate levels.

The initial exposure is managed in the business units. They take into account foreign exchange risk considerations when deciding on the currencies used in export/import pricing, in invoicing and when using currency clauses in tenders.

The business units hedge their position with forward contracts with banks and report their transaction risk position monthly to the Group Treasury. The currency position consists of binding contracts and estimated cash flows of highly probable sales and purchases. Cargotec has operations also in countries where foreign exchange controls restrict hedging against currency risks. Such countries are e.g. South Korea and China.

Hedge accounting in accordance with IAS 39 is applied to cash flow hedges of firm contracts and estimated cash flows. The instruments used for hedging are FX forward contracts. In Hiab and Kalmar the majority of the hedges realize within one year. In MacGREGOR the hedges of some longer-term projects realize within two or three years.

Currency risks on the shareholders' equities in subsidiaries outside the euro area cause calculated translation differences in the shareholders´ equity of the Group.

The aim of the translation position management is to hedge the balance sheet structure in such a way that changes in exchange rates have a neutral impact on Cargotec's gearing and equity. Balance sheet structures in foreign entities can be hedged by using cross-currency swaps and loans denominated in foreign currencies. The Group's current balance sheet and finance structure have not caused a need for hedging.

Interest Rate Risks

Changes in market interest rates and interest margins may have an impact on interest income and expenses as well as on mark-to-market values of derivatives. Interest rate risks are managed by adjusting the portion of fixed and floating interest debt in the loan portfolio and using various interest rate derivatives to achieve a determined duration. The average interest rate fixing period on December 31, 2005 was 38 months. The Group's net debt on December 31, 2005 was at a low level and most of it consisted of a fixed interest rate bond.

Liquidity Risks

Cargotec minimizes liquidity risks by adequate income financing, maintaining adequate liquidity reserves and by balancing the repayment schedules of loans and loan facilities to different calendar years. The daily liquidity needs are secured with efficient cash management and adequate credit facilities.

In order to secure liquidity Cargotec has negotiated committed and uncommitted credit facilities. Committed loan facilities on December 31, 2005 total EUR 282 million. In addition Cargotec has signed a EUR 150 million domestic commercial paper program.

Counterparty Risks

Cash investments and financial instrument transactions are made only with counterparties approved by the Cargotec Treasury Committee and with leading domestic and foreign banks and credit institutions. A maximum credit limit is defined for each counterpart.

Operative Credit Risks

The business units are responsible for their operative credit risks and the credit risk control. Credit risks are hedged by using payment terms with customers that are based on advance payments, bank guarantees and other guarantees. Credit losses and fraud risks are controlled by using creditworthiness data on customers. The aim is to share the credit risk of big contracts with banks, insurance companies and export credit agencies. The Group has no significant concentration of credit risk due to a diverse and wide clientele, which spreads geographically worldwide.

3. Changes in Comparative Figures

Final accounting of MacGREGOR acquisition

The accounting of the MacGREGOR acquisition according to IFRS 3 has been finalized. In the pro forma figures the impact to year 2005 result has been recognized as an adjustment to equity as MacGREGOR is already included in year 2004 figures. Other impacts from the final accounting of the acquisition have been restated also to comparison periods. MacGREGOR's accounting principles have also been revised to correspond to Cargotec's accounting principles and comparative figures have been restated accordingly.

Re-classification of balance sheet items

Cargotec has adjusted its accounting principles and re-classified some of the balance sheet items accordingly. Comparison figures have also been restated.

4. Segment Information

The segment information is presented in primary reporting by business segment and in secondary reporting by geographical segment.

The primary business segments based on the internal reporting and management structure are Hiab, Kalmar and MacGREGOR. Hiab provides on-road load-handling equipment and services, Kalmar provides solutions for moving containers, trailers and heavy industrial material and MacGREGOR provides marine cargo-flow solutions. The Others segment consists mainly of those group administration costs, which are not allocated to businesses.

Geographical segments are based on the main market areas. Sales are reported by customer location and assets and capital expenditure by the location of the assets. Goodwill has not been allocated to geographical segments.

The accounting policies of the segment reporting are described in Note 1.

4.1 Business Segments

Statement of income information

Jan 1–Dec 31, 2005

MEUR	Hiab	Kalmar	MacGREGOR	Others	Eliminations	Total
Sales, external	842.3	1,146.9	368.7	-	-	2,357.9
Sales, internal	2.1	-	-	-	-2.1	0.0
Total sales	**844.4**	**1,146.9**	**368.7**	**-**	**-2.1**	**2,357.9**
Operating income	**66.6**	**97.6**	**27.5**	**3.1***	**-**	**194.8**
Share of associated companies' net income	0.1	0.2	0.1	6.2	-	6.6
Financing items & taxes	-	-	-	-	-	-64.8
Net income for the period	**-**	**-**	**-**	**-**	**-**	**136.6**
Depreciation and amortization	12.1	24.0	1.6	0.2	-	37.9

* Including EUR 15.4 million capital gain from sale of Consolis.

Jan 1–Dec 31, 2004

MEUR	Hiab	Kalmar	MacGREGOR	Others	Eliminations	Total
Sales, external	695.6	865.4	339.4	-	-	1,900.4
Sales, internal	1.4	0.0	-	-	-1.4	0.0
Total sales	**697.0**	**865.4**	**339.4**	**-**	**-1.4**	**1,900.4**
Operating income	**44.6**	**66.4**	**20.9**	**-8.0**	**-**	**123.9**
Share of associated companies' net income	0.0	0.2	0.0	3.1	-	3.3
Financing items & taxes	-	-	-	-	-	-49.1
Net income for the period	**-**	**-**	**-**	**-**	**-**	**78.1**
Depreciation and amortization	11.4	19.0	1.9	0.2	-	32.5

Segment assets and liabilities

Dec 31, 2005 MEUR	Hiab	Kalmar	MacGREGOR	Others	Eliminations	Total
Non-interest-bearing assets	556.2	703.9	334.3	7.3	-2.7	1,599.0
Investments in associated companies	0.5	0.3	0.8	-	-	1.6
Unallocated assets, interest-bearing	-	-	-	-	-	115.7
Other unallocated assets *	-	-	-	-	-	64.2
Total assets	**556.7**	**704.2**	**335.1**	**7.3**	**-2.7**	**1,780.5**
Non-interest-bearing liabilities	158.3	354.2	191.5	7.6	-2.7	708.9
Unallocated liabilities, interest-bearing	-	-	-	-	-	236.2
Other unallocated liabilities **	-	-	-	-	-	68.2
Total liabilities	**158.3**	**354.2**	**191.5**	**7.6**	**-2.7**	**1,013.3**
Assets employed	398.4	350.0	143.6	-0.3	0.0	891.7
Capital expenditure ***	14.9	67.4	7.7	0.0	-	90.0

Dec 31, 2004 MEUR	Hiab	Kalmar	MacGREGOR	Others	Eliminations	Total
Non-interest-bearing assets	526.0	609.8	309.7	2.5	-0.5	1,447.5
Investments in associated companies	0.6	0.4	0.6	63.0	-	64.6
Unallocated assets, interest-bearing	-	-	-	-	-	47.2
Other unallocated assets *	-	-	-	-	-	79.8
Total assets	**526.6**	**610.2**	**310.3**	**65.5**	**-0.5**	**1,639.1**
Non-interest-bearing liabilities	139.2	291.5	172.2	7.5	-0.5	609.9
Unallocated liabilities, interest-bearing	-	-	-	-	-	328.6
Other unallocated liabilities **	-	-	-	-	-	46.6
Total liabilities	**139.2**	**291.5**	**172.2**	**7.5**	**-0.5**	**985.1**
Assets employed	387.4	318.7	138.1	58.0	0.0	902.2
Capital expenditure ***	15.0	26.2	2.2	1.1	-	44.5

* Other unallocated assets are tax and treasury related assets and receivables.
** Other unallocated liabilities are tax and treasury related liabilities and payables.
*** Capital expenditure on property, plant and equipment and on intangible assets including corresponding items resulting from acquisitions made during the financial year.

Orders

	Orders received		Order book	
MEUR	**Jan 1–Dec 31, 2005**	**Jan 1–Dec 31, 2004**	**Dec 31, 2005**	**Dec 31, 2004**
Hiab	830.6	805.1	196.7	215.0
Kalmar	1,103.4	1,065.6	519.5	548.7
MacGREGOR	452.9	468.1	540.9	455.0
Eliminations	-2.0	-1.5	-0.2	-0.2
Total	**2,384.9**	**2,337.3**	**1,256.9**	**1,218.5**

Number of employees

	Average		At the end of period	
	Jan 1–Dec 31, 2005	**Jan 1–Dec 31, 2004**	**Dec 31, 2005**	**Dec 31, 2004**
Hiab	3,426	3,339	3,417	3,420
Kalmar	3,021	2,907	3,210	2,936
MacGREGOR	899	915	899	900
Corporate administration	42	40	45	38
Total	**7,388**	**7,201**	**7,571**	**7,294**

4.2 Geographical Segments

Sales

Jan 1–Dec 31, 2005

MEUR	Hiab	Kalmar	MacGREGOR	Eliminations	Total
EMEA (Europe, Middle East, Africa)	484.9	674.5	175.4	-	1,334.8
Americas	298.2	301.4	22.2	-2.1	619.7
Asia Pacific	61.3	171.0	171.1	-	403.4
Total	**844.4**	**1,146.9**	**368.7**	**-2.1**	**2,357.9**

Jan 1–Dec 31, 2004

MEUR	Hiab	Kalmar	MacGREGOR	Eliminations	Total
EMEA (Europe, Middle East, Africa)	419.7	488.9	163.8	-	1,072.4
Americas	218.1	238.5	21.0	-1.4	476.2
Asia Pacific	59.2	138.0	154.6	-	351.8
Total	**697.0**	**865.4**	**339.4**	**-1.4**	**1,900.4**

Assets employed

MEUR	Dec 31, 2005	Dec 31, 2004
EMEA (Europe, Middle East, Africa)	329.5	355.3
Americas	67.1	74.1
Asia Pacific	54.4	37.8
Goodwill	440.7	435.0
Total	**891.7**	**902.2**

Capital expenditure*

MEUR	Jan 1–Dec 31, 2005	Jan 1–Dec 31, 2004
EMEA (Europe, Middle East, Africa)	67.7	37.7
Americas	3.2	3.7
Asia Pacific	7.5	1.5
Goodwill	11.6	1.6
Total	**90.0**	**44.5**

*Capital expenditure on property, plant and equipment and on intangible assets, including corresponding items resulting from acquisitions made during the financial period. Goodwill has not been allocated to geographical areas.

Number of employees

	Dec 31, 2005	Dec 31, 2004
EMEA (Europe, Middle East, Africa)	5,484	5,495
Americas	1,143	1,072
Asia Pacific	944	727
Total	**7,571**	**7,294**

5. Acquisitions and Disposals

5.1 Acquisitions

MacGREGOR acquisition

In this pro forma review, Cargotec is presented based on its business and corporate structure following the demerger of Kone Corporation. Comparative figures for 2004 have been calculated based on the same structure to facilitate the financial evaluation of the company. Hence, MacGREGOR's marine cargo flow business acquired in March 2005 is included in the pro forma comparison figures.

The accounting of the MacGREGOR acquisition according to IFRS 3 has been finalized. In the pro forma figures the impact to year 2005 result has been recognized as an adjustment to equity as MacGREGOR is already included in year 2004 figures. Other impacts from the final accounting of the acquisition have been restated also to comparison periods.

Other acquisitions

In 2005 Cargotec made several minor acquisitions. In March Kalmar acquired its former associated companies Peinemann Kalmar CV and Peinemann Kalmar Rental BV, specializing in the maintenance and rental businesses. In June Hiab acquired Transmachine Oy's business operations, which include the sales and installation of superstructures for trucks and the related sales of spare parts and accessories, as well as service operations. Additionally a minority shareholding of 25% in Bromma Far East Pte Ltd was acquired in June. In November MacGREGOR acquired business operations of All Set Marine Lashing AB, which specializes in providing container-securing equipment. Kalmar established its own sales company in India by acquiring a 51-percent majority holding of its Indian agent Indlift in December. Business combinations of All Set Marine and Indlift have been accounted for only preliminarily as the determination of fair values to be assigned to the net assets is still unfinished.

In 2004 March Kalmar acquired BIA NV's Material Handling Equipment Division.

Assets and liabilities of the acquired companies

	Jan 1–Dec 31, 2005		Jan 1–Dec 31, 2004	
MEUR	**Net fair values of identifiable assets and liabilities of the acquired businesses**	**Assets and liabilities immediately before the business combination**	**Net fair values of identifiable assets and liabilities of the acquired businesses**	**Assets and liabilities immediately before the business combination**
Other intangible assets	3.3	0.0	0.0	0.0
Property, plant and equipment	17.2	17.0	0.1	0.1
Inventories	3.3	3.2	0.2	0.2
Non-interest-bearing assets	8.7	8.7	0.0	0.0
Cash and cash equivalents	0.1	0.1	0.0	0.0
Interest-bearing liabilities	-10.1	-10.1	0.0	0.0
Other non-interest-bearing liabilities	-13.1	-11.9	0.0	0.0
Acquired net assets	**9.4**	**7.0**	**0.3**	**0.3**
Transaction price	19.5		1.9	
Costs related to acquisitions	0.9		0.0	
Goodwill	**11.0**		**1.6**	

5.2. Disposals

In March 2005 Kalmar sold Finnmec AS, which specializes in welding and providing metal parts for heavy equipment. In April Hiab sold the tipper and dumber body business Zetterberg Produkt AB. In June MacGREGOR sold the galley business. The transactions did not significantly affect Cargotec's result.

Pro forma 2004 does not include any disposals.

6. Percentage of Completion Method

The effect of the percentage of completion method on sales was EUR 120.9 (68.9) million for the period. The balance sheet includes EUR 16.5 (6.1) million in unbilled contract revenue due to the percentage of completion method for long-term contracts in progress on the balance sheet date.

7. Personnel Expenses

MEUR	Jan 1–Dec 31, 2005	Jan 1–Dec 31, 2004
Wages and salaries	279.8	258.9
Share-based incentives	1.5	-
Pension costs	24.9	24.2
Other statutory employer expenses	61.3	52.8
Total	**367.5**	**335.9**

8. Depreciation, Amortization and Impairment Charges

By asset type

MEUR	Jan 1–Dec 31, 2005	Jan 1–Dec 31, 2004
Other intangible assets	1.9	1.2
Property, plant and equipment*	36.0	31.3
Total	**37.9**	**32.5**

* Includes EUR 15.0 (9.3) million of depreciation from machinery rented out under trade finance contracts.

9. Earnings per Share

Basic earnings per share are calculated by dividing the net income attributable to the shareholders of the parent company by the weighted average number of shares outstanding during the year. Diluted earnings per share are calculated by adjusting the weighted average number of shares for the effect of all potential dilutive shares. The Group has only one category of potential dilutive shares, i.e. share options.

	Jan 1–Dec 31, 2005	Jan 1–Dec 31, 2004
Net income attributable to the shareholders of the parent company, MEUR	134.5	76.7
Weighted average number of shares ('000)	63,751	63,755
Basic earnings per share, EUR	**2.11**	**1.20**
Net income attributable to the shareholders of the parent company, MEUR	134.5	76.7
Weighted average number of shares, dilution adjusted ('000)	64,156	64,167
Diluted earnings per share, EUR	**2.10**	**1.20**

10. Commitments

MEUR	Dec 31, 2005	Dec 31, 2004
Mortgages	-	6.3
Guarantees	1.2	4.6
Customer finance	17.7	10.5
Operating leases	29.5	16.5
Other contingent liabilities	4.1	0.3
Total	**52.5**	**38.2**

Cargotec leases property, plant and equipment under operating leases.
The leases have varying terms and renewal rights.

The future minimum lease payments under non-cancellable operating leases

MEUR	Dec 31, 2005	Dec 31, 2004
Less than 1 year	9.4	5.4
1–5 years	19.0	10.4
Over 5 years	1.1	0.7
Total	**29.5**	**16.5**

The aggregate operating lease expenses totaled EUR 9.7 (7.4) million.

Customer finance commitments

MEUR	Dec 31, 2005	Dec 31, 2004
Dealer financing	9.9	3.9
End customer financing	7.8	6.6
Total	**17.7**	**10.5**

It is not anticipated that any material liabilities will arise from customer finance commitments.

11. Derivatives

Fair values of derivative financial instruments

MEUR	Positive fair value Dec 31, 2005	Negative fair value Dec 31, 2005	Net fair value Dec 31, 2005	Net fair value Dec 31, 2004
FX forward contracts				
Subsidiaries	10.9	25.3	-14.4	21.8
Parent company	2.7	2.9	-0.2	-
Interest rate swaps				
Maturity under 1 year	-	0.4	-0.4	-
Maturity over 1 year	-	0.3	-0.3	-1.6
Total	**13.6**	**28.9**	**-15.3**	**20.2**

Nominal values of derivative financial instruments

MEUR	Dec 31, 2005	Dec 31, 2004
FX forward contracts		
Subsidiaries	970.1	783.7
Parent company	379.4	-
Interest rate swaps		
Maturity under 1 year	35.0	-
Maturity over 1 year	10.0	45.0
Total	**1,394.5**	**828.7**

12. Principal Subsidiaries

Hiab	Country	Shareholding (%) Parent company	Group
Cargotec Inc.	United States	-	100
Hiab Cranes AB	Sweden	-	100
Hiab S.A.	Spain	-	100
Loglift Jonsered Oy Ab	Finland	-	100
Multilift Oy	Finland	-	100
Waltco Truck Equipment Co. Inc.	United States	-	100
Other subsidiaries (47 companies)			

Kalmar	Country	Shareholding (%) Parent company	Group
Bromma Conquip AB	Sweden	-	100
Kalmar Asia Pacific Ltd	Hong Kong	-	77
Kalmar Industries AB	Sweden	-	100
Kalmar Industries B.V.	Netherlands	-	100
Kalmar Industries Oy Ab	Finland	-	100
Kalmar Industries USA LLC	United States	-	100
Other subsidiaries (33 companies)			

MacGREGOR	Country	Shareholding (%) Parent company	Group
MacGREGOR (DEU) GmbH	Germany	-	100
MacGREGOR Cranes AB	Sweden	-	100
MacGREGOR (FIN) Oy	Finland	-	100
MacGREGOR-Kayaba Ltd	Japan	-	75
MacGREGOR (SGP) Pte Ltd	Singapore	-	100
MacGREGOR (SWE) AB	Sweden	-	100
Other subsidiaries (44 companies)			

Others	Country	Shareholding (%) Parent company	Group
Cargotec Holding Sverige AB	Sweden	100	100
Other subsidiaries (7 companies)			

A complete list of shares and participations is enclosed in Cargotec's official statutory accounts, which may be obtained from the company at request.

Key Financial Figures

Consolidated Income Statement		2005	2004	2003
Sales	MEUR	2,358	1,900	1,658
Change	%	24.1	14.6	-
Exports from and sales outside Finland	MEUR	2,288	1,835	1,597
Operating income	MEUR	179 1)	124	85
% of sales	%	7.6 1)	6.5	5.1
Income before taxes	MEUR	191	113	72
% of sales	%	8.1	6.0	4.4
Net income for the period	MEUR	137	78	53
% of sales	%	5.8	4.1	3.2

Consolidated Balance Sheet		2005	2004	2003
Non-current assets	MEUR	739	770	747
Current assets	MEUR	1,041	870	745
Total equity	MEUR	767	654	586
Non-current liabilities	MEUR	281	207	281
Current liabilities	MEUR	732	778	625
Total assets	MEUR	1,781	1,639	1,492
Interest-bearing net debt	MEUR	121	281	361
Capital employed	MEUR	1,003	983	987
Assets employed	MEUR	892	902	883

Other key figures		2005	2004	2003
Orders received	MEUR	2,385	2,337	1,848
Order book	MEUR	1,257	1,219	807
Depreciation and amortization	MEUR	38	33	35
Capital expenditure in intangible assets and property, plant and equipment	MEUR	29	25	25
Capital expenditure in customer financing	MEUR	28	18	7
Total % of sales	%	2.4	2.2	1.9
Research and development costs	MEUR	30	29	29
% of sales	%	1.3	1.5	1.7
Average number of employees		7,388	7,201	7,383
Number of employees at the end of period		7,571	7,294	6,997
Return on equity 2)	%	19.2	12.6	-
Return on capital employed 2)	%	20.9	12.9	-
Total equity/total assets	%	46.2	42.2	40.7
Gearing	%	15.7	43.0	61.7
Dividends 3)	MEUR	41	-	-

1) Excluding gain on the sale of Consolis

2) Annualized

3) Board´s proposal

Calculation of Key Figures

Capital employed = Total assets – non-interest-bearing debt

Assets employed = Non-interest-bearing assets excluding interest and tax related assets – non-interest-bearing liabilities excluding interest and tax related liabilities

$$\text{Return on equity (\%)} = 100 \times \frac{\text{Net income for the period}}{\text{Total equity (average for the period)}}$$

$$\text{Return on capital employed (\%)} = 100 \times \frac{\text{Income before taxes + interest and other financing expenses}}{\text{Total assets – non-interest-bearing debt (average for the period)}}$$

$$\text{Total equity / total assets (\%)} = 100 \times \frac{\text{Total equity}}{\text{Total assets – advances received}}$$

$$\text{Gearing (\%)} = 100 \times \frac{\text{Interest-bearing debt – interest-bearing assets}}{\text{Total equity}}$$

$$\text{Basic earnings / share} = \frac{\text{Net income attributable to the shareholders of the parent company}}{\text{Share issue adjusted weighted average number of shares during the period (excluding treasury shares)}}$$

$$\text{Equity / share} = \frac{\text{Total equity attributable to the shareholders of the parent company}}{\text{Share issue adjusted number of shares at the end of period}}$$

$$\text{Dividend / share} = \frac{\text{Dividend for the financial period}}{\text{Share issue adjusted number of shares at the end of period (excluding treasury shares)}}$$

$$\text{Dividend / earnings (\%)} = 100 \times \frac{\text{Dividend for the financial period / share}}{\text{Basic earnings / share}}$$

$$\text{Effective dividend yield (\%)} = 100 \times \frac{\text{Dividend / share}}{\text{Share issue adjusted closing price for the class B share at the end of period}}$$

$$\text{Price / earnings (P/E)} = \frac{\text{Share issue adjusted closing price for the class B share at the end of period}}{\text{Basic earnings / share}}$$

$$\text{Average share price} = \frac{\text{EUR amount traded during the period for the class B share}}{\text{Share issue adjusted number of class B shares traded during the period}}$$

Market capitalization at the end of period = Number of shares (A + B – treasury shares) at the end of period * closing price for the class B share at the end of period

Trading volume = Number of class B shares traded during the period

$$\text{Trading volume (\%)} = 100 \times \frac{\text{Number of class B shares traded during the period}}{\text{Average weighted number of class B shares during the period}}$$

The Board of Directors

Ownership information on Dec 31, 2005 includes shares owned directly as well as through companies where members exercise controlling power.

Ilkka Herlin (b. 1959)
Ph.D
Chairman of the Board
Board member since July 12, 2005
Chairman of Cargotec's Nomination and Compensation Committee
Member of Cargotec's Audit Committee

Chairman of the Board of Directors of Sijoitus-Wipunen Oy. Member of the Board of Directors of D-sijoitus Oy, Mariatorp Oy and WIP Asset Management Oy.

Chairman of the Board of Directors of WIP Asset Management Oy 2000–2005. Member of the Board of Directors of KONE Corporation 1990–2000. Managing Director of Security Trading Oy 1987–2000.

2,940,067 Cargotec's class A shares and 3,700,000 class B shares.

Henrik Ehrnrooth (b. 1954)
M.Sc. (Forest Economics), B.Sc. (Econ.)
Deputy Chairman
Independent member
Board member since July 12, 2005

Chairman of the Board of Directors of Jaakko Pöyry Group Oyj and Evox Rifa Group Oyj since 2003.

Member of the Board of Directors of Jaakko Pöyry Group Oyj since 1997. Vice Chairman of the Board of Directors of Jaakko Pöyry Group Oyj 1997–2002.

Member of the Board of Directors of Oy Forcit Ab and Otava Books and Magazines Group Ltd.

Chief Executive Officer of Jaakko Pöyry Group 1995–1997.

Together with his brothers, holds a controlling power in Fennogens Investments S.A. which owns 20,000 Cargotec's class B shares.

Tapio Hakakari (b. 1953)
Master of Laws
Independent member
Board member since July 12, 2005
Member of Cargotec's Nomination and Compensation Committee

Director, Secretary to the Board of Directors of KONE Corporation since 1998. Managing Director of Holding Manutas Oy and Security Trading Oy.

Director Administration of KCI Konecranes Plc 1994–1998. Worked for Kone Corporation 1983–1994.

Member of the Board of Directors of Security Trading Oy, Holding Manutas Oy, Etteplan Group, Martela Oyj, and Suomen Autoteollisuus Oy.

70,000 Cargotec's class B shares, 1,700 Cargotec's series A options and 1,600 series B options.

Antti Herlin (b. 1956)
D.Sc. (Econ.) H.C.
Independent member
Board member since June 1, 2005

CEO of KONE Corporation since 1996. Chairman of the Board of Directors of KONE Corporation since 2003. Vice Chairman of the Board of Directors of KONE Corporation 1996–2003. Member of the Board of Directors of KONE Corporation since 1991.

Chairman of the Board of Directors of Technology Industries of Finland, Security Trading Oy and Holding Manutas Oy. Deputy Chairman of the Board of Directors at Confederation of Finnish Industries and the Supervisory Board of Ilmarinen Mutual Pension Insurance Company. Member of the Board of Directors of YIT Group.

131,294 Cargotec's class B shares, 2,850 Cargotec's series A options and 7,000 series B options.

Peter Immonen (b. 1959)
M.Sc. (Econ.)
Independent member
Board member since July 12, 2005
Member of Cargotec's Audit Committee
Member of Cargotec's Nomination and Compensation Committee

Chairman of the Board of Directors at WIP Asset Management Oy 1995–2001 and since 2005.

Managing Director of WIP Asset Management Oy 2003–2005.

Member of the Board of Directors of eQ Fund Management Company Ltd., Mariatorp Oy, Sijoitus-Wipunen Oy and the Finnish Shareholders Association.

19,000 Cargotec's class B shares.

Karri Kaitue (b. 1964)
LL. Lic.
Independent member
Board member since July 12, 2005
Chairman of Cargotec's Audit Committee

Deputy Chief Executive Officer of Outokumpu Group and Vice Chairman of the Group Executive Committee since 2005, Member of the Outokumpu Group Executive Committee since 2002. Employed by Outokumpu Group since 1990.

Vice Chairman of the Board of Directors of Okmetic Group.

No ownership in Cargotec.

Executive Committee

Carl-Gustaf Bergström (b. 1945)
B.Sc. (Econ.)
President and CEO, Cargotec Corporation
Employed by Cargotec Corporation since 1970
Primary working experience:
Senior Executive Vice President, 1986–2002
President, Hiab, 1985–1997
Other current key positions of trust: Chairman of the Trade Policy Committee of the Confederation of Finnish Industries; Member of the Board of Directors of Technology Industries of Finland and Förslags Ab Sydvästkusten

8,000 Cargotec's class B shares, 1,000 Cargotec's series A options and 2,000 series B options on Dec 31, 2005.

Kari Heinistö (b. 1958)
M.Sc. (Econ.)
Senior Executive Vice President and CFO, Cargotec Corporation
Employed by Cargotec Corporation since 1983
Primary working experience:
Chief Financial Officer, 1993–2000
Other current key positions of trust:
Member of the Board of Directors of Suomen Autoteollisuus Oy

8,000 Cargotec's class B shares, 1,000 Cargotec's series A options and 2,000 series B options on Dec 31, 2005.

Pekka Vartiainen (b. 1956)
M.Sc. (Eng.)
President, Hiab
Employed by Cargotec Corporation since 2003
Primary working experience:
Employed by ESAB Corporation 1983–2003:
Regional director, Scandinavia 2000–2003
President, ESAB Oy 1998–2003
President, ESAB Nederland B.V. 1995–1998

8,000 Cargotec's class B shares and 2,000 Cargotec's series B options on Dec 31, 2005.

Christer Granskog (b. 1947)
M.Sc. (Eng.)
President, Kalmar
Employed by Cargotec Corporation since 1994
Primary working experience:
President, Sisu Corporation, 1994–1997
President, Valmet Automation Inc., 1990–1994
Other current key positions of trust:
Member of the Board of Directors of Rautaruukki Corporation and Sarlin Corporation

14,000 Cargotec's class B shares and 1,000 Cargotec's series B options on Dec 31, 2005.

Hans Pettersson (b. 1951)
M.Sc. (Forestry)
President, MacGREGOR
Employed by MacGREGOR since 2001
Primary working experience:
Executive Vice President, Assi Domän AB, 1999–2001
President, Modo Paper AB, 1991–1999

8,000 Cargotec's class B shares on Dec 31, 2005.

Eeva Mäkelä (b. 1973)
M.Sc. (Econ.), CEFA
Senior Vice President, Investor Relations and Communications, Cargotec Corporation
Employed by Cargotec Corporation since 2005
Primary working experience:
VP, Investor Relations, Metso Corporation, 2002–2005
Equity Analyst, Mandatum Stockbrokers Ltd (Sampo Bank plc), 1999–2002

4,100 Cargotec's class B shares on Dec 31, 2005.

Lauri Björklund (b. 1953)
M.Sc. (Eng.)
Senior Vice President, Production & Purchasing, Cargotec Corporation
Employed by Cargotec Corporation since 2002
Primary working experience:
SVP, Manufacturing and Purchasing, KONE Corporation 1996–2002; Director, Manufacturing and Logistics, KONE Elevators and Escalators 1993–1996
Other current key positions of trust: Member of the Board of Directors of Suomen Laatukeskus Oy, Suomen Laatuyhdistys ry and Suomen Konepajainsinööriyhdistys ry; Member of Delegate Council of Helsinki Region Chamber of Commerce

4,000 Cargotec's class B shares on Dec 31, 2005.

Tor-Erik Sandelin (b. 1943)
Engineer
Senior Vice President, Service Business Development, Cargotec Corporation
Employed by Cargotec Corporation since 2004
Primary working experience:
Area Director, Northern Europe, KONE Elevators and Escalators, 1988–2003
Other current key positions of trust:
Member of the Board of Directors of Teknos Group

5,534 Cargotec's class B shares and 800 Cargotec's series B options on Dec 31, 2005.

Corporate Governance

Cargotec Corporation's (hereinafter "Cargotec" or "company") control and management are based on the Finnish Companies Act and Securities Markets Act. The company's control and management is divided between the General Meeting of Shareholders, the Board of Directors, and the President and CEO.

Cargotec complies with the insider guidelines of the Helsinki Stock Exchange as well as the Corporate Governance Recommendation for Listed Finnish Companies issued by the Helsinki Stock Exchange, the Central Chamber of Commerce, and the Federation of Finnish Industry and Employers, which came into force on July 1, 2004.

General Meeting of Shareholders

Cargotec's administrative body with the highest decision-making power is the General Meeting of Shareholders that is convened by the company's Board of Directors. According to the Articles of Association, the Annual General Meeting of Shareholders shall be held annually within three months after the closing of the financial period, on a day designated by the Board of Directors. An Extraordinary General Meeting of Shareholders in respect of specific matters shall be held when considered necessary by the Board of Directors, or when requested in writing by an auditor of the company or by shareholders representing at least one-tenth of all the issued shares of the company.

The issues decided on by the General Meeting of Shareholders include the approval of the financial statements, distribution of profit, amendments to the Articles of Association, granting of release from liability to the members of the Board of Directors and to the President and CEO, election of the members of the Board of Directors and auditor, and their remunerations.

The shareholders are invited to the meeting through an invitation to a General Meeting of Shareholders that shall be published in at least two daily newspapers, decided upon by the Board of Directors and appearing in the Helsinki region, and on the Internet. The invitation specifies the matters to be considered by the meeting as well as the proposals of the Board of Directors to the meeting. The shareholders must register to the meeting in a manner specified in the invitation.

The names of the candidates to Cargotec's Board of Directors are provided in the invitation to the General Meeting of Shareholders if the candidates have given their consent to the election and the proposal has been made by the Nomination and Compensation Committee of Cargotec's Board of Directors, or if the proposal is supported by shareholders representing at least one-tenth of the total voting rights of the company. The names of any candidates appointed after the invitation has been issued will be published separately if the aforementioned conditions are met. Furthermore, the Board Audit Committee's proposal for the auditor will be published in a similar manner prior to the General Meeting of Shareholders.

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

During Cargotec's financial period of June 1–December 31, 2005, an Extraordinary Shareholders' Meeting was held on July 12, 2005 due to the demerger.

Board of Directors

Cargotec's Board of Directors includes at minimum five and at maximum eight regular members, as well as at maximum three alternate members. The term of office of the Board of Directors expires at the end of the first Annual General Meeting of Shareholders following the election. The Board of Directors elects the Chairman and Deputy Chairman from among its members.

Kone Corporation's Extraordinary Shareholders' Meeting of December 17, 2004 elected the following seven regular members to Cargotec's Board of Directors: Antti Herlin, Matti Alahuhta, Jean-Pierre Chauvarie, Sirkka Hämäläinen-Lindfors, Masayuki Shimono, Iiro Viinanen, and Gerhard Wendt. On May 2, 2005 the Board of Directors announced that it would resign at Cargotec's Extraordinary Shareholders' Meeting.

Cargotec's Extraordinary Shareholders' Meeting of July 12, 2005 confirmed the number of members in the Board of Directors as six and appointed the following regular members to the Board of Directors: Henrik Ehrnrooth, Tapio Hakakari, Antti Herlin, Ilkka Herlin, Peter Immonen, and Karri Kaitue. The Board of Directors elected Ilkka Herlin as Chairman and Henrik Ehrnrooth as Deputy Chairman of the Board of Directors. The members of the Board of Directors are independent of the company and, with the exception of Ilkka Herlin, also independent of significant shareholders of the company. Ilkka Herlin, Chairman of the Board of Directors, is one of the largest owners of Cargotec, holding over 20 percent of the votes and over 10 percent of the shares of the company.

The members of the Board of Directors and their share and option holdings are presented on page 66 of this review.

Cargotec's Board of Directors is responsible for the management and the proper organization of the company's operations as well as representing the company. The duties of the Board of Directors are determined on the basis of the Articles of Association and the Finnish Companies Act. The Board of Directors has compiled a written charter for its work that defines the main duties and operating principles of the Board.

The Board of Directors responsibilities include approving the company's financial statements and interim reports, the supervision of accounting and the control of the company's financial matters, and preparing issues to be presented to the Shareholders' Meeting. The Board of Directors also decides on the company's contributions, loans, and guarantees.

The Board of Directors elects Cargotec's President and CEO and decides on the terms of employment. Furthermore, the Board of Directors confirms the company's strategic plans and annual action plans as well as significant acquisitions and investments and approves the company's risk management principles.

Cargotec's Board of Directors convened 10 times during 2005 with an average attendance rate of 99 percent.

The Board of Directors reviews its own performance and procedures once a year through an internal self-assessment.

Committees of the Board of Directors

Two permanent committees, the Audit Committee and the Nomination and Compensation Committee, assist Cargotec's Board of Directors in its work. The Board of Directors selects the members of the committees from among its members and confirms the committees' charter. The committees have no autonomous decision-making power; the Board of Directors makes decisions collectively on the basis of the proposals prepared by the committees. The committees prepare minutes of their meetings and report to the Board of Directors on a regular basis.

Audit Committee

The purpose of the Audit Committee is to assist the Board in fulfilling its responsibility to oversee management's conduct of the company's financial reporting process. The Audit Committee directs and supervises internal auditing within the Group in accordance with its charter by, among other activities, assessing the adequacy and appropriateness of the corporation's internal control and risk management as well as handling internal audit plans and reports. Furthermore, the committee prepares a proposal to the Annual General Meeting regarding the election and fees of the external auditor(s), defines and monitors the non-audit services purchased from the auditing firm in order not to jeopardize the auditors' independence, and reviews with the auditor the financial statements and at least one interim report before submission to the Board. The Audit Committee meetings are attended by the members, the secretary to the committee, the Group's internal auditor, the President and CEO, and the representatives of the auditing firm. The committee convenes without the presence of the company's management if the matters to be dealt with so require.

The Audit Committee consists of a minimum of three Board members. In 2005, Karri Kaitue acted as chairman of the Audit Committee, while Ilkka Herlin and Peter Immonen acted as members of the committee. The committee convened two times during the financial period.

Nomination and Compensation Committee

The task of the Nomination and Compensation Committee is to prepare a proposal to Cargotec's Annual General Meeting concerning the composition and remuneration of the Board. Furthermore, the committee prepares a proposal to the Board of Directors regarding the appointment of the President and CEO and the terms of employment. It is also the committee's duty to ensure that the resourcing of the company management is appropriate and that their salary and other terms are competitive. Management here refers to the President and CEO, the Executive Committee, and persons reporting primarily to members of the Executive Committee. The Nomination and Compensation Committee confirms these company management members and considers, principally once a year, their salary adjustments, bonus principles, bonuses earned, and succession planning. Furthermore, the committee's tasks include preparing stock option, share, and other employee incentive programs as well as preparing proposals concerning the company's voluntary pension schemes and presenting them to the Board of Directors.

The Nomination and Compensation Committee consists of a minimum of three Board members. The committee convenes as needed but at least three times a year. In 2005, Ilkka Herlin acted as chairman of the Nomination and Compensation Committee, while Tapio Hakakari and Peter Immonen acted as members of the committee. The committee convened four times during the financial period.

President and CEO and the Executive Committee

The Board of Directors elects Cargotec's President and CEO and determines the terms of employment. Carl-Gustaf Bergström has been Cargotec's President and CEO since the company began its operations on June 1, 2005; prior to the demerger of Kone Corporation, Bergström was the President of Kone Cargotec. Cargotec's President and CEO is responsible for ensuring that the targets, plans, guidelines, and goals set by the Board of Directors are carried out within the Cargotec group. The President and CEO also ensures that the accounting practices of the company comply with law and that the financial matters are handled in a reliable manner. The employment terms of Cargotec's President and CEO are defined in a written employment contract. Cargotec's Senior Executive Vice President acts as Deputy to the President and CEO.

Cargotec's Executive Committee follows the business development, initiates actions, and defines operative principles and methods in accordance with guidelines handed down by the Board of Directors. Chaired by the President and CEO of the company, the Executive Committee convenes every month and whenever necessary.

In 2005, the Executive Committee comprised eight members. The members and their share and option holdings are presented on page 68 of this review.

Compensation

The General Meeting of the Shareholders decides on the remuneration of the members of the Board of Directors. The Board of Directors decides on the remunerations, incentive payments, and other benefits of the President and CEO and the Executive Committee on the basis of a proposal made by the Nomination and Compensation Committee.

The following remunerations are paid to the members of the Board of Directors: a monthly remuneration of EUR 4,000 for the Chairman, EUR 3,000 for the Deputy Chairman, and, respectively, EUR 2,000 for the other Board members, unless a Board member is otherwise compensated by the company in his or her position as an employee or the like. There is no additional compensation for attendance at Board meetings. Expenses are compensated against invoice. In 2005, a total of EUR 112,806 was paid in Board remunerations.

The salaries, bonuses and other monies paid to members of the Board of Directors, the President and CEO, and the Senior Executive Vice President during the financial period totaled EUR 563,710.

On December 31, 2005, two members of the Board of Directors held a total of 4,550 Cargotec series A option rights and 8,600 Cargotec series B option rights originating from the 2004 Option Program of the demerged Kone Corporation.

Compensation for the President and CEO and other members of the Executive Committee is comprised of a fixed base salary and a bonus, which is based on the achievement of Cargotec's financial and personal targets. The bonus amount is determined by the Nomination and Compensation Committee of the Board of Directors, the maximum annual bonus being 50 percent of the annual salary.

The bonus scheme of the President and CEO and other members of the Executive Committee is supplemented by a top management incentive scheme that was approved by the Board of Directors during the financial period. The scheme is tied to the company's share performance for 2005–2007 and pro forma net income for 2005–2006. The scheme covers 35 members of top management. As part of the scheme, the Board of Directors has allocated 20,660 series B option rights pertaining to Cargotec's Option Program to be distributed at a later stage for top management compensation. Of this amount, 6,500 option rights have been allocated to the President and CEO and the Executive Committee.

In 2005, the President and CEO of Cargotec, Carl-Gustaf Bergström, had a base salary of EUR 401,815 including benefits, EUR 267,680 of which was paid during the June 1-December 31, 2005 financial period. Mr. Bergström was paid during 2005 a bonus of EUR 123,018, of which EUR 18,676 was paid during the June 1–December 31, 2005 financial period.

On December 31, 2005, the President and CEO held 1,000 earlier granted Cargotec series A option rights and 2,000 series B option rights. Four other members of the Executive Committee held a total of 1,000 Cargotec series A option rights and 5,800 Cargotec series B option rights. Both the A and B series option rights originate from the 2004 Option Program of the demerged Kone Corporation.

The President and CEO and part of the members of the Executive Committee are entitled to retire at the age of 60. In this case, the pension received corresponds to 60 percent of the pensionable salary. The arrangement has been covered with insurances taken out by the company. The period of notice of the President and CEO is six months. His service contract includes no separate compensation payable on the basis of termination of employment. Part of the members of the Executive Committee are entitled to a compensation for termination of employment corresponding to a maximum of 12 months' salary.

Cargotec has not granted any loans or loan guarantees to members of the Board of Directors or the Executive Committee. Neither has Cargotec granted any special benefits nor made corresponding arrangements with parties belonging to its inner circle.

External Audit

The statutory external audit includes control of accounting, financial statements, and administration for the financial period. In addition to the auditors' report issued annually, the auditors report on their auditing observations to the Board of Directors on a regular basis. Cargotec's financial period is the calendar year, excluding the first financial period which is June 1–December 31, 2005 as a result of the demerger of Kone Corporation becoming effective on June 1, 2005.

According to the Articles of Association, the company shall have at least one and a maximum of three auditors. The Auditors shall be authorized public accountants.

The auditors are elected annually in the General Meeting of Shareholders and their assignment expires at the end of the first Annual General Meeting following the election. Authorized public accountants Jukka Ala-Mello and PricewaterhouseCoopers Ltd were elected as auditors of Cargotec. PricewaterhouseCoopers nominated Authorized Public Accountant Jouko Malinen as its principal auditor.

Auditors' fees are compensated against invoice. For the financial period of June 1–December 31, 2005, the Group companies' audit fees totaled EUR 2.2 million, while EUR 0.7 million was paid as non-audit fees to the auditing firm.

Internal Control

The goal of Cargotec's internal control is to ensure that its operations are efficient and profitable, its business risk management is adequate and appropriate, the information it produces is reliable, and that its instructions and operating principles are followed. The Board's Audit Committee monitors the functioning of the internal control.

Cargotec's internal auditing function controls the operations of the company's major subsidiaries and other Group units on a regular basis. The company has an internal auditor who is responsible for internal control and business risk auditing and reports to the Board's Audit Committee.

Risk Management

For a more detailed description of risks and risk management, see page 36 of this review. Financial risks are specified on page 54.

Insiders

Cargotec applies the insider guidelines of the Helsinki Stock Exchange (HEX), in addition to which the Board of Directors has approved internal insider guidelines that are based on the HEX guidelines.

In compliance with the Finnish Securities Markets Act, Cargotec's permanent public insider register comprises, due to their positions, the members of the Board of Directors, the President and CEO, the auditors, and members of the Executive Committee. Persons employed by the company who, on account of their position or duties, have regular access to insider information form Cargotec's permanent company-specific group of insiders. Those persons who on the basis of an employment or other contract work for the company and obtain insider information associated with a specific project are considered the company's project-specific insiders. In addition to the public insider register, the company maintains a permanent company-specific insider register and a project-specific insider register.

Permanent insiders are prohibited to trade in Cargotec's securities for 21 days prior to the publication of Cargotec's interim reports or financial statements releases. Project-specific insiders are prohibited to trade in the company's securities until the project concerned has been cancelled or disclosed.

Cargotec's Legal Department is responsible for adherence to insider guidelines and for monitoring the duty to declare as well as the maintenance of insider registers. The company maintains its insider registers in the Finnish Central Securities Depository's SIRE system.

Communications

Continuously updated information on Cargotec is available on the company's website at www.cargotec.com. Stock exchange releases and press releases are available on the company's website immediately after they have been published.

Shares and Shareholders

Shares and Share Capital

According to Cargotec's Articles of Association, the company's share capital is divided into class A and class B shares, the maximum total number of shares being 260,000,000. The number of class A shares is at maximum 260,000,000 and the number of class B shares is at maximum 260,000,000. The shares are registered in the book-entry securities system maintained by the Finnish Central Securities Depository. Cargotec's Articles of Association state that the company's minimum share capital is EUR 60 million and the maximum share capital EUR 260 million. The share capital can be raised or reduced within these limits without an amendment to the Articles of Association.

At the Annual General Meeting, each class A share is assigned one vote, as is each block of 10 class B shares, with the provision that each shareholder is entitled to at least one vote.

Cargotec's class B shares entitle the holder to a higher dividend. According to the Articles of Association, class B shares entitle to at least one percent and at most 2.5 percent higher dividend than class A shares, calculated from the accounting par value of the share.

Cargotec's class B shares are listed on the main list of the Helsinki Stock Exchange. The accounting par value of both class A and class B shares is EUR 1 per share. The shares have no nominal value.

Cargotec's share capital was EUR 63,754,755 on June 1, 2005 when the company became listed on the Helsinki Stock Exchange, and EUR 63,920,955 on December 31, 2005. The share capital increased by EUR 166,200 during the financial period as a result of the subscription for class B shares under Cargotec Option Rights.

On December 31, 2005, Cargotec's share capital comprised 54,394,866 class B shares listed on the Helsinki Stock Exchange and 9,526,089 unlisted class A shares, while the total number of votes attached to all shares was 14,964,826. Cargotec's share capital is fully paid up.

Board Authorizations and Purchase of Own Shares

Cargotec's Extraordinary Shareholders' Meeting of July 12, 2005 authorized the Board of Directors to decide to repurchase the Company's own shares with assets distributable as profit. According to the authorization, own shares can be repurchased for use in possible acquisitions or other arrangements, as well as to develop the Company's capital structure. The maximum amount of repurchased own shares shall be less than ten percent of the Company's share capital and total voting rights. This corresponds to a maximum of 6,367,000 shares so that a maximum of 952,000 class A shares and a maximum of 5,415,000 class B shares can be repurchased. The repurchase authorization is in effect for one year from the date of the Meeting's decision.

Based on the authorization, Cargotec repurchased 203,700 class B shares at market price in public trading on the Helsinki Stock Exchange during the period October 26–November 1, 2005 at the average purchase price of EUR 24.60 per share. The total accounting par value of the repurchased shares was EUR 203,700. They represent 0.3 percent share of the share capital, and 0.1 percent of the total voting rights.

The repurchased shares were owned by the company on December 31, 2005. With regard to the authorization, the amount corresponding to 952,000 class A shares and 5,211,300 class B shares remained unused on December 31, 2005.

Furthermore, the Shareholders' Meeting authorized the Board of Directors to decide to distribute any repurchased shares as compensation in possible acquisitions or other arrangements in the manner and to the extent decided by the Board. The Board of Directors was also granted the right to decide on the sale of own shares in order to fund possible acquisitions. The authorization is limited to a maximum of 952,000 class A shares and a maximum of 5,415,000 class B shares repurchased by the company. The authorization to distribute shares is in effect for a period of one year from the date of the Meeting's decision. The authorization had not been exercised by December 31, 2005.

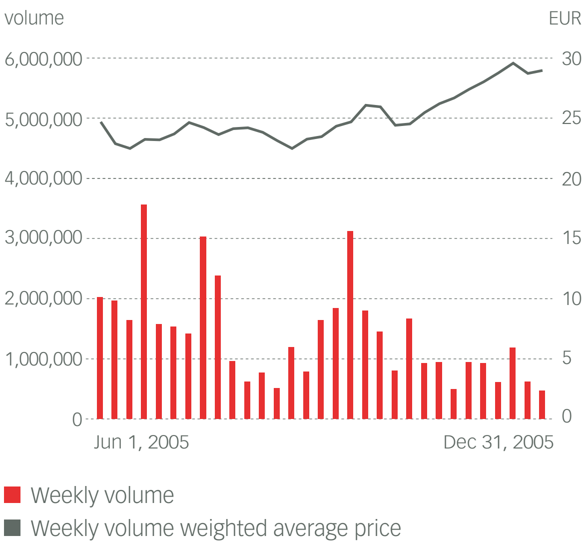
At the end of the financial period, Cargotec's Board of Directors had no current authorization to issue shares, grant option rights, raise the share capital, or issue convertible, or warrant loans. Neither has the company decided to issue shares, option rights, or convertible bonds during the financial period.

Dividend Policy and Dividend Proposal

Cargotec Corporation's Board of Directors has confirmed a dividend policy for the company, taking into account its growth targets and the related financing requirements. According to the policy, Cargotec's annual dividend is 30–50 percent of the company's net profit.

Cargotec's Board of Directors will propose to the Annual General Meeting convening on February 28, 2006 that a dividend of EUR 0.64 per class A share and EUR 0.65 per class B share, or a total of EUR 41,453,359.86, corresponding to 48.3 percent of the company's net profit, be paid for the net profit of the company's first official financial period, June 1–December 31, 2005.

Share price and volume



Market Capitalization and Trading

Cargotec's class B share closed at EUR 25.00 on June 1, 2005 when the company became listed, and at EUR 29.29 at the year-end. The average share price of the financial period was EUR 24.59, the highest quotation being EUR 30.40 and the lowest EUR 21.84.

On June 1, 2005, the total market value of the company's class B shares was EUR 1,356 million. On December 31, 2005, their value was EUR 1,593 million excluding treasury shares held by the company. The company's year-end market capitalization, in which the unlisted class A shares are valued at the closing price of class B shares on the last trading day of the financial period, was EUR 1,866 million, excluding treasury shares held by the company.

During the financial period of June 1–December 31, 2005, approximately 43.4 million Cargotec class B shares were traded on the Helsinki Stock Exchange, corresponding to a turnover of approximately EUR 1,067 million. The average daily trading volume was 289,487 shares or EUR 7,115,152, while the relative turnover for the period was 80.1 percent.

Option Program

Cargotec's option program is based on the demerged Kone Corporation's 2004 option program. Holders of option rights under the Kone 2004 option program received new option rights so that each series A option right of Kone Corporation was converted into one series A option right of Cargotec and one series A option right of new KONE, and each series B option right of Kone Corporation was converted into one series B option right of Cargotec and one series B option right of new KONE.

Each Cargotec option right entitles the holder to subscribe for three class B shares in Cargotec. The option rights entitle to increase the share capital by EUR 654,255 and to subscribe for a total of 654,255 class B shares in Cargotec, which corresponded to 1.03 percent of all shares and 0.44 percent of all votes on June 1, 2005. The shares that have been subscribed for under the option rights are entitled to dividends for the financial period during which the subscription has taken place. Other shareholder rights are effected upon registration of the increase of the share capital in the trade register. The share subscription price is EUR 8.59.

Cargotec's series A and B option rights under the 2005 option program are listed on the Helsinki Stock Exchange. Series A and B option rights entitle the holder to subscribe for class B shares in Cargotec annually, during the period January 2–November 30, on dates separately determined by the company's Board of Directors, so that series A option rights entitle subscription during the period June 13, 2005–March 31, 2008, and series B option rights during the period June 13, 2005–March 31, 2009.

Shares Subscribed for under the Option Rights

The closing price of a series A option right was EUR 60.00 and a series B option right EUR 60.00 at the year-end. The highest quote for a series A option right was EUR 65.00 and

Increase in Share Capital

	Number of class A shares	Number of class B shares	Total	Average weighted share price on exercise day, EUR
Number of shares on June 1, 2005	9,526,089	54,228,666	63,754,755	
Share subscription with A option rights July 19, 2005		2,160	2,160	24.61
Share subscription with B option rights July 19, 2005		15,000	15,000	24.61
Share subscription with A option rights September 5, 2005		7,350	7,350	23.16
Share subscription with B option rights September 5, 2005		21,300	21,300	23.16
Share subscription with A option rights October 28, 2005		26,925	26,925	24.42
Share subscription with B option rights October 28, 2005		51,990	51,990	24.42
Share subscription with A option rights December 23, 2005		16,455	16,455	28.54
Share subscription with B option rights December 23, 2005		25,020	25,020	28.54
Number of shares on December 31, 2005	**9,526,089**	**54,394,866**	**63,920,955**	
Treasury shares on December 31, 2005		203,700	203,700	
Number of shares outstanding on December 31, 2005			**63,717,255**	
Total votes on December 31, 2005			14,964,826	
Share capital on December 31, 2005, EUR			**63,920,955**	

the lowest was EUR 40.96 while the corresponding figures for a series B option right were EUR 67.00 and EUR 41.00.

There were 72,185 series A option rights and 145,900 series B option rights at the beginning of the financial period. 166,200 class B shares were subscribed for during the financial period, increasing the share capital by EUR 166,200. The remaining series A and B option rights under Cargotec's 2005 option program entitle to the subscription of a total of 488,055 class B shares in Cargotec and an increase of EUR 488,055 in the share capital. The said number of shares that can be subscribed for under the remaining option rights constitutes 0.8 percent of Cargotec's total number of shares and 0.33 percent of the total number of votes. The company has not issued other option rights or convertible bonds.

Changes in the number of option rights

	Number of options
At the beginning of the financial period on June 1, 2005	218,085
Exercised option rights	-55,400
At the end of the financial period on December 31, 2005	162,685
Exercisable option rights on December 31, 2005	142,025

Shareholders

At the end of 2005, Cargotec had approximately 13,000 shareholders, with the largest shareholder being Sijoitus-Wipunen Oy. There were 22,463,157 nominee-registered shares, representing 35.1 percent of the share capital, which corresponded to approximately 15 percent of all votes.

Major Shareholders on December 31, 2005

		A shares	B shares	Shares total	%	Votes	%
1	Ownership of Niklas Herlin, total	2,940,067	3,989,888	6,929,955	10.84	3,339,055	22.31
	Mariatorp Oy	2,940,067	3,605,903	6,545,970	10.24	3,300,657	22.06
	Herlin Niklas	0	383,985	383,985	0.60	38,398	0.26
2	Ownership of Ilkka Herlin, total	2,940,067	3,700,000	6,640,067	10.39	3,310,067	22.12
	Sijoitus-Wipunen Oy	2,940,067	3,640,000	6,580,067	10.29	3,304,067	22.08
	Herlin Ilkka	0	60,000	60,000	0.09	6,000	0.04
3	D-sijoitus Oy (in Ilona Herlin's controlling power)	2,940,067	3,605,903	6,545,970	10.24	3,300,657	22.06
4	Toshiba Elevator And Building Systems Corporation	0	3,023,340	3,023,340	4.73	302,334	2.02
5	KONE Foundation	705,888	1,232,454	1,938,342	3.03	829,133	5.54
6	Varma Mutual Pension Insurance Company	0	1,169,910	1 169 910	1.83	116,991	0.78
7	OP-Delta Fund	0	486,847	486,847	0.76	48,684	0.33
8	Ilmarinen Mutual Pension Insurance Company	0	465,280	465,280	0.73	46,528	0.31
9	The State Pension Fund	0	440,000	440,000	0.69	44,000	0.29
10	Tapiola Mutual Pension Insurance Company	0	440,000	440,000	0.69	44,000	0.29
11	Nurminen Hanna Kirsti	0	390,001	390,001	0.61	39,000	0.26
12	Pension Foundation Polaris	0	218,520	218,520	0.34	21,852	0.15
13	Cargotec Corporation	0	203,700	203,700	0.32	20,370	0.14
14	UCITS Fund Aktia Capital	0	185,000	185,000	0.29	18,500	0.12
15	Blåberg Karolina	0	182,745	182,745	0.29	18,274	0.12
16	Investment Fund Alfred Berg Finland	0	177,910	177,910	0.28	17,791	0.12
17	Etera Mutual Pension Insurance Company	0	176,120	176,120	0.28	17,612	0.12
18	Investment Fund Nordea Nordic Small Cap	0	165,000	165,000	0.26	16,500	0.11
19	Nordea Life Assurance Finland Ltd	0	161,000	161,000	0.25	16,100	0.11
20	Herlin Olli Ilkka Julius	0	158,000	158,000	0.25	15,800	0.11
	Total	**9,526,089**	**20,571,618**	**30,097,707**	**47.09**	**11,583,248**	**77.40**
	Nominee registered:			**22,463,157**			
	Other owners:			**11,360,091**			

Breakdown by Shareholder Category on December 31, 2005

	% of share capital
Nominee registered	35.1
Finnish institutions, companies and foundations	17.8
Ownership of Niklas Herlin, total	10.8
Finnish households	10.5
Ownership of Ilkka Herlin, total	10.4
Ownership of Ilona Herlin, total	10.2
Non-Finnish holders	5.1

Ownership information of Niklas, Ilkka and Ilona Herlin includes shares owned directly as well as through companies where they exercise controlling power.

Shares and Options held by the Board of Directors and Management

On December 31, 2005, the aggregate shareholdings of Cargotec's Board of Directors, the President and CEO, the Senior Executive Vice President and CFO and companies controlled by them was 2,940,067 class A shares and 3,956,294 class B shares, which corresponded to 10.79 percent of the total number of all class A and class B shares and 22.29 percent of all votes. At the end of 2005, the Board of Directors, the President and CEO and the Senior Executive Vice President and CFO owned a total of 6,550 series A option rights and 12,600 series B option rights. Assuming that all option rights were exercised for the subscription of shares at the beginning of the financial period, the Board of Directors, the President and CEO, and the Senior Executive Vice President and CFO would have held 22.33 percent of the votes on December 31, 2005.

Monthly updated information on the shares and option rights held by members of the Board of Directors and management is available on Cargotec's website at www.cargotec.com.

Ownership information on December 31, 2005 is presented on pages 66–69.

Breakdown of Share Ownership on December 31, 2005

Number of shares	Number of shareholders	% of shareholders	Total shares	% of share capital
1–100	4,911	39.35	295,258	0.46
101–500	4,869	39.01	1,272,714	1.99
501–1 000	1,215	9.74	943,837	1.48
1,001–10,000	1,312	10.51	3,759,526	5.88
10,001–100,000	140	1.12	4,119,928	6.45
100,001–1,000,000	25	0.20	5,562,211	8.70
over 1,000,000	9	0.07	47,961,865	75.03
	12,481	**100.00**	**63,915,339**	**99.99**
from which nominee registered	12		22,463,157	35.14
In the joint book-entry account			5,616	0.01
Total number of shares issued			**63,920,955**	**100.00**

Share-related Key Figures

		Financial Statements Period Jun 1–Dec 31, 2005	Pro Forma 2005	Pro Forma 2004	Pro Forma 2003
Earnings per share					
Basic earnings per share	EUR	1.35	2.11	1.20	0.81
Diluted earnings per share	EUR	1.34	2.10	1.20	0.80
Equity per share	EUR	11.93	11.93	10.17	9.11
Dividend per class B share 1)	EUR	0.65	0.65	-	-
Dividend per class A share 1)	EUR	0.64	0.64	-	-
Dividend per earnings, class B share 1)	%	48.2	-	-	-
Dividend per earnings, class A share 1)	%	47.5	-	-	-
Effective dividend yield, class B share 1)	%	2.2	-	-	-
Price per earnings, class B share		21.7	-	-	-
Development of share price, class B share					
Average share price	EUR	24.59	-	-	-
Highest share price	EUR	30.40	-	-	-
Lowest share price	EUR	21.84	-	-	-
Closing price at the end of period	EUR	29.29	-	-	-
Market capitalization at the end of period 2)	MEUR	1,866	-	-	-
Market capitalization of class B shares at the end of period 5)	MEUR	1,593	-	-	-
Trading volume, number of class B shares traded 3)	('000)	43,423	-	-	-
Trading volume, number of class B shares traded 3)	%	80.1	-	-	-
Weighted average number of class A shares 4)	('000)	9,526	9,526	9,526	9,526
Number of class A shares at the end of period 4)	('000)	9,526	9,526	9,526	9,526
Weighted average number of class B shares 5)	('000)	54,222	54,225	54,229	54,229
Number of class B shares at the end of period 5)	('000)	54,191	54,191	54,229	54,229
Diluted weighted average number of class B shares 5)	('000)	54,613	54,630	54,641	54,641

1) Board´s proposal

2) Including class A and B shares, excluding treasury shares

3) During the period June 1–December 31, 2005

4) No dilution on class A shares

5) Excluding treasury shares

Definitions for share-related key figures are presented on page 65.

Information for Shareholders

Divident Payment

Cargotec Corporation's Board of Directors has decided to propose to the Annual General Meeting convening on February 28, 2006 that a dividend of EUR 0.64 per class A share and EUR 0.65 per class B share be paid for the net profit of the company's first official financial reporting period, June 1–December 31, 2005. The dividend will be paid to a shareholder who is registered in Cargotec's shareholder register held by the Finnish Central Securities Depository on the record date of dividend payment, March 3, 2006. The date proposed by the Board of Directors for the dividend payment is March 10, 2006.

Tickers

Cargotec's share capital is divided into class A and class B shares, the latter being quoted on the Helsinki Stock Exchange.

Class B share

ISIN code: FI0009013429

Ticker: CGCBV

Trading lot: 20

Index: OMX Helsinki CAP

Sector: Industrials

Reuters ric: CGC.HE

Bloomberg: CGCBV FH

Cargotec's series A and series B option rights under the 2005 option program are listed on the Helsinki Stock Exchange.

Series A option

ISIN code: FI0009618359

Ticker: CGCBVEW105

Trading lot: 10

Number of listed option rights: 72,185

Conversion rate: 1:3

Subscription price: EUR 8.59 per share

Share subscription period: June 13, 2005–March 31, 2008

Series B option

ISIN code: FI0009618367

Ticker: CGCBVEW205

Trading lot: 10

Number of listed option rights: 145,900

Conversion rate: 1:3

Subscription price: EUR 8.59 per share

Share subscription period: June 13, 2005–March 31, 2009

Up-to-date information on Cargotec's share price and ownership structure is available on the company's website at www.cargotec.com.

Orders and Changes of Address

Cargotec Corporation publishes annual reports, interim reports, and stock exchange releases in English and Finnish. The annual report is mailed to all Cargotec shareholders. Annual reports, interim reports, stock exchange releases, and press releases are also available on the Internet at www.cargotec.com. Under the 'Order publications' section you can request that the material be sent to your e-mail address. In addition, financial reports can be ordered by mail from Cargotec Corporation, Investor Relations and Corporate Communications, P.O. Box 61, FI-00501 Helsinki, Finland; by e-mail from communications@cargotec.com; by phone from +358 (0)204 5511; or by fax from +358 (0)204 55 4275.

For change in shareholder address, please contact the bank or brokerage managing the book-entry account.

Investor Relations

The role of Cargotec's Investor Relations is to offer information on the Company as an investment and serve Cargotec's shareholders and other capital markets participants. We aim to provide reliable and timely information regularly and equally to support the fair valuation of the Company's shares.

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Closed Window

Cargotec does not conduct any meetings with capital market representatives during the three weeks prior to the publishing of financial statements or interim reports.

Analysts

According to our knowledge, the following analysts have regular coverage on Cargotec Corporation. The list may be incomplete. The listed analysts monitor Cargotec on their own initiative, and Cargotec is not responsible for their views.

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ABG Sundal Collier	Erik Ejerhed	+44 207 905 5633
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Cazenove	Kenneth Leiling	+44 207 155 8221
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Deutsche Bank	Timo Pirskanen	+358 (0)9 2525 2553
Enskilda Securities	Kaisa Ojainmaa	+358 (0)9 6162 8726
eQ Bank	Juha Iso-Herttua	+358 (0)9 6817 8651
FIM	Lauri Saarela	+358 (0)9 6134 6307
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Kaupthing Bank	Johan Lindh	+358 (0)9 4784 0268
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Opstock	Pekka Spolander Mikael Doepel	+358 (0)10 252 4351 +358 (0)10 252 2931
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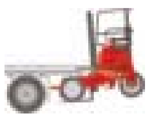
Product Glossary

Hiab

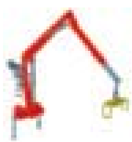
Loader cranes are typically truck-mounted, and are used, for example, for loading and unloading industrial products and construction materials.

Demountable systems are used on trucks for loading and unloading containers and demountable platforms.

A **tail lift** in the back of a truck makes the efficient use of a delivery truck possible especially where small lots are continuously loaded and unloaded.



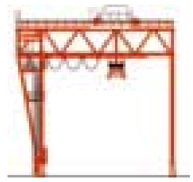
A **truck-mounted forklift** sits on the rear of a truck. At the destination, it can transport the load to places unreachable by the truck. It takes less than a minute to dismount, or to mount, the truck-mounted forklift.



Forestry cranes include several models that are mounted on forest machines and timber trucks or are employed in industry or recycling. The product range also includes grapples.

Kalmar

Ship-to-shore cranes are designed for efficient loading and unloading of containers from ship to quay. They are used in large ports and container terminals.



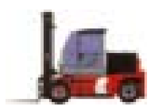
Yard cranes are used in large terminals. They are able to stack containers wider and higher than other equipment. This product group includes rubber-tired gantry cranes, rail mounted cranes and automatic stacking cranes.

Straddle carriers are often used in medium-sized ports and large terminals for the transportation of containers from shipside to the container yard and to the loading area. Straddle carriers are used for transporting, stacking, loading and unloading containers.

Reachstackers combine strength with versatility. They are often used to stack containers in small and medium-sized terminals and in multi-purpose terminals.

Shuttle carriers are used for the rapid and efficient transportation of containers from shipside to the stacking area.

Terminal tractors are used for short distance movement in ports, industrial production or distribution centres. They can also be used in RoRo-activities to pull loads in and out of vessels.

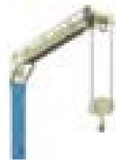


Forklift trucks are used in ports for handling containers and other heavy loads as well as in heavy industries for handling like timber, pulp, paper and steel.

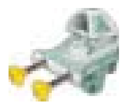
Log stackers are used in the forest industry for unloading round wood from trucks and railroad cars and transporting it to stock or production process.

MacGREGOR

Hatch covers are mainly used in container, general cargo and bulk ships to ensure weather tightness of the cargo hold and to carry containers and other loads on the deck.



Ship cranes ensure quick and safe loading and unloading of general cargo, containers and project cargo in the port. MacGREGOR's range also includes service cranes for all types of ships, hose-handling cranes for tankers and transloading cranes.



Securing equipment secures the safe transportation of cargo onboard container ships and general cargo vessels. MacGREGOR's offering includes lashing bridges and points, twist locks and fixed and loose fittings.

MacGREGOR provides a wide range of **RoRo equipment solutions** including various internal and external ramps, bow doors, car decks, ramp covers, bulkhead doors, flood control doors and side doors.

MacGREGOR offers expertise in designing, installing and supplying diverse **ship access systems** for ports and terminals. These include linkspans, passenger gangways, mooring systems as well as floating car parks and floating terminals.

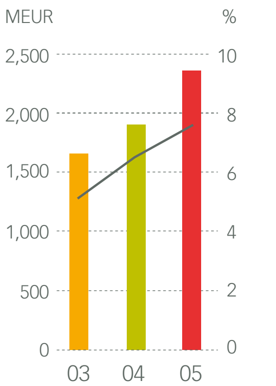
Hiab, Kalmar and MacGREGOR offer wide range of service including service contracts, maintenance and repairs, condition monitoring, spare parts as well as conversions and modernizations.

Cargotec Key Figures, Pro Forma

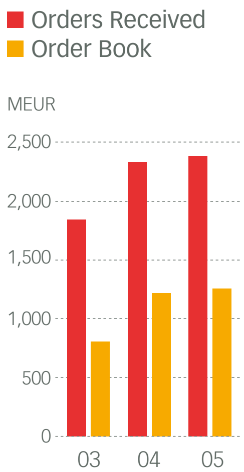
Pro Forma		2005	2004	2003
Orders received	MEUR	2,385	2,337	1,848
Order book, Dec 31	MEUR	1,257	1,219	807
Net sales	MEUR	2,358	1,900	1,658
Operating income	MEUR	179.4*	123.9	84.6
Operating margin	%	7.6*	6.5	5.1
Net income for the period	MEUR	136.6	78.1	52.5
Return on equity	%	19.2	12.6	-
Return on capital employed	%	20.9	12.9	-
Gearing	%	15.7	43.0	61.7

*excluding EUR 15.4 million gain from the sale of Consolis

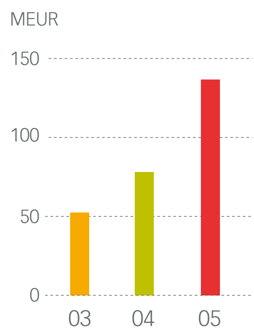
Net Sales and Operating Income (%*)



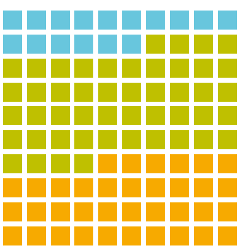
* 2005: excluding EUR 15.4 million gain from the sale of Consolis



Net Income for the Period

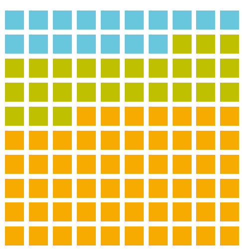


Sales by Business Area



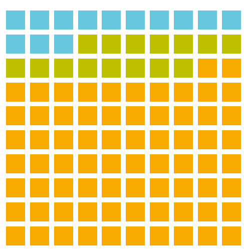
Hiab 36%
Kalmar 48%
MacGREGOR 16%

Sales by Market Area



EMEA 57%
Americas 26%
Asia Pacific 17%

Employees by Market Area



EMEA 72%
Americas 15%
Asia Pacific 13%

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