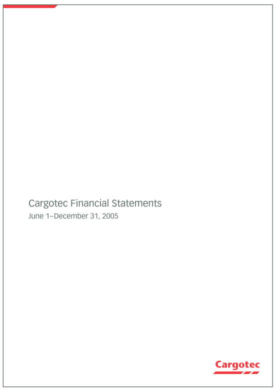
Cargotec Financial Statements

June 1–December 31, 2005

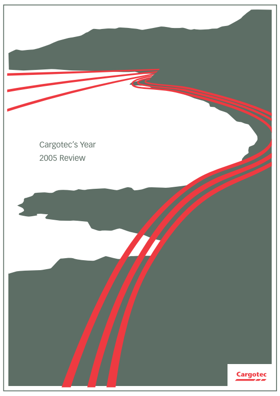
Cargotec

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 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.



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 pro forma 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, Share Register, P.O. Box 61, FI-00501 Helsinki), 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 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.

Cargotec Financial Statements June 1–December 31, 2005

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Markets

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

Demand for Hiab's load handling equipment was strong in North America and good in Europe.

Kalmar's products were in high demand in North America, meanwhile in Europe and Asia demand was at a good level. Demand for yard handling equipment in particular was brisk.

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

Orders Received and Order Book

The value of Cargotec's orders received between June 1 and December 31, 2005 totaled EUR 1,366 million. Of the orders received, Hiab accounted for EUR 476 million, Kalmar 628 million, and MacGREGOR EUR 263 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 12 E-One RTG cranes from South America and also secured a contract for 24 straddle carriers to the Port of Hamburg.

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

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

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

In December, MacGREGOR signed an agreement to deliver hatch covers for four post-Panamax 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 to be delivered in 2006-2008. The total value of the orders is approximately EUR 14 million.

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

In July, the Swedish ship owner Wallenius Marine AB concluded a service agreement with MacGREGOR. This five-year contract covers the service of MacGREGOR products on seven PCTCs (pure car and truck carriers).

At the end of December 2005, Cargotec's order book totaled EUR 1,257 million. Of the total order book, Hiab accounted for EUR 197 million, Kalmar EUR 520 million, and MacGREGOR EUR 541 million.

Net Sales and Financial Result

Cargotec's net sales for June 1–December 31, 2005 amounted to EUR 1,419 million. Competitive products and services together with Cargotec's flexible operating model had a positive impact on net sales.

Operating income in the June to December period was EUR 124.6 million. The operating income includes EUR 15.4 million capital gain from the sale of Consolis. Operating profit excluding the capital gain was EUR 109.2 million, or 7.7 percent of net sales. Operating profit was boosted by volume growth and persistent improvement of operational efficiency.

Net income for the financial year was EUR 87.4 million while earnings per share were EUR 1.35.

Balance Sheet, Financing and Cash Flow

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

Return on capital employed was 21.9 percent.

Cash flow from operations before financial items and taxes in the June-December period totaled EUR 173.7 million.

Net debt on December 31, 2005 was EUR 121 million. Total equity/total assets stood at 46.2 percent and gearing at 15.7 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 a total of EUR 282 million.

Capital Expenditure and Product Development

Cargotec's capital expenditure excluding acquisitions in the June-December period totaled EUR 39.4 million, of which customer financing accounted for EUR 21.3 million. Research and development expenditure for the financial year was EUR 17.5 million, or 1.2 percent of net sales.

Structural Changes

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 acquisition was completed on November 21, 2005.

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

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. Hiab employed 3,417 persons, Kalmar 3,210 and MacGREGOR 899. The average number of the employees during the financial year was 7,446.

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 one 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 environmental, health, and safety (EHS) management is based on the Group's risk management and environmental policies, 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 financial year, 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 financial year, 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 financial 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.

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.

Helsinki, January 31, 2006

Cargotec Corporation

Board of Directors

Consolidated Financial Statements (IFRS)

Consolidated Income Statement

MEUR	Note	Jun 1–Dec 31, 2005	%
Sales	**3, 5**	**1,418.6**	
Cost of goods sold		-1,133.7	
Gross profit		**284.9**	**20.1**
Gain on the sale of Consolis	15	15.4	
Other operating income	6	13.7	
Selling and marketing expenses		-88.6	
Research and development expenses		-17.5	
Administration expenses		-73.2	
Other operating expenses	6	-10.1	
Operating income	**3, 7, 8**	**124.6**	**8.8**
Share of associated companies' net income		6.3	
Financing income	9	4.6	
Financing expenses	9	-10.0	
Income before taxes		**125.5**	**8.8**
Taxes	10	-38.1	
Net income for the period		**87.4**	**6.2**
Net income for the period attributable to			
Shareholders of the parent company		85.9	
Minority interest		1.5	
Total		**87.4**	
Earnings per share for profit attributable to the shareholders of the parent company	**11**		
Basic earnings per share, EUR		1.35	
Diluted earnings per share, EUR		1.34	

Consolidated Balance Sheet

MEUR	Note	Dec 31, 2005
Assets		
Non-current assets		
Goodwill	12	440.7
Other intangible assets	13	46.4
Property, plant and equipment	14	196.3
Investments in associated companies	15	1.6
Available-for-sale investments	16	1.1
Loans receivable and other interest-bearing assets 1)		0.9
Deferred tax assets	17	50.7
Other non-interest-bearing assets		1.6
Total non-current assets		**739.3**
Current assets		
Inventories	18	464.4
Loans receivable and other interest-bearing assets 1)		0.3
Income tax receivables		8.2
Accounts receivable and other non-interest-bearing assets	19	453.8
Cash and cash equivalents 1)	20	114.5
Total current assets		**1,041.2**
Total assets		**1,780.5**

1) Included in interest-bearing net debt

MEUR	Note	Dec 31, 2005
Equity and Liabilities		
Capital and reserves attributable to the shareholders of the parent company		
Share capital		63.9
Share premium account		95.1
Treasury shares		-5.0
Translation differences		4.9
Fair value and other reserves		-10.3
Retained earnings		611.4
Total shareholders' equity	**21, 22**	**760.0**
Minority interest		7.2
Total equity		**767.2**
Non-current liabilities		
Loans 1)	23	197.1
Deferred tax liabilities	17	18.5
Pension obligations	24	35.1
Provisions	25	18.2
Other non-interest-bearing liabilities		12.1
Total non-current liabilities		**281.0**
Current liabilities		
Current portion of long-term loans 1)	23	21.8
Other interest-bearing liabilities 1)	23	17.3
Provisions	25	45.9
Income tax payables		18.4
Accounts payable and other non-interest-bearing liabilities	26	628.9
Total current liabilities		**732.3**
Total equity and liabilities		**1,780.5**

1) Included in interest-bearing net debt

Consolidated Statement of Changes in Equity

	Attributable to the 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 Jun 1, 2005	**63.8**	**93.8**	**-**	**-**	**-12.8**	**525.7**	**670.5**	**6.2**	**676.7**
IFRS 3: Impact of the final accounting of acquisitions						-1.1	-1.1		-1.1
Equity on Jun 1, 2005, adjusted	**63.8**	**93.8**	**-**	**-**	**-12.8**	**524.6**	**669.4**	**6.2**	**675.6**
Cash flow hedges					2.5		2.5		2.5
Translation differences				4.9			4.9	0.4	5.3
Share-based incentives, value of received services						0.9	0.9		0.9
Net income recognized directly in equity	-	-	-	4.9	2.5	0.9	8.3	0.4	8.7
Net income for the period						85.9	85.9	1.5	87.4
Total recognized income and expenses for the period	-	-	-	4.9	2.5	86.8	94.2	1.9	96.1
Shares subscribed with options	0.1	1.3					1.4		1.4
Acquisition of treasury shares			-5.0				-5.0		-5.0
Other changes							-	-0.9	-0.9
Equity on Dec 31, 2005	**63.9**	**95.1**	**-5.0**	**4.9**	**-10.3**	**611.4**	**760.0**	**7.2**	**767.2**

Consolidated Cash Flow Statement

MEUR	Jun 1–Dec 31, 2005
Cash received from customers	1,464.7
Cash paid to suppliers and employees	-1,291.0
Cash flow from operations	**173.7**
Interest received	2.9
Interest paid	-6.4
Dividends received	0.0
Other financial items	0.2
Income taxes paid	-12.1
Cash flow from operating activities	**158.3**
Capital expenditure	-36.4
Proceeds from sales of fixed assets	7.9
Acquisitions, net of cash	-8.8
Proceeds from divested operations, net of cash	82.2
Cash flow from investing activities	**44.9**
Cash flow after investing activities	**203.2**
Change in current creditors, net	-236.6
Proceeds from long-term borrowings	114.7
Repayments of long-term borrowings	-18.6
Acquisition of treasury shares	-5.0
Proceeds from share subscriptions	1.4
Dividends paid	-0.2
Cash flow from financing activities	**-144.3**
Change in cash	**58.9**
Cash and cash equivalents at the beginning of period	55.5
Translation difference	0.1
Cash and cash equivalents at the end of period	**114.5**

Reconciliation of net income to cash flow from operating activities

Net income	87.4
Depreciation	23.6
Other adjustments	-17.6
Income before change in working capital	**93.4**
Change in receivables	7.3
Change in payables	90.5
Change in inventories	-32.9
Cash flow from operating activities	**158.3**

In drawing up the cash flow statement, the impact of variations in exchange rates has been eliminated by adjusting the beginning balance sheet with the exchange rates prevailing at the closing date.

Notes to the Financial Statements

1. Accounting Principles for the Consolidated Financial Statements

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 provider of cargo handling solutions. The consolidated financial statements of Cargotec 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).

The consolidated financial statements have been prepared for Cargotec's first seven month financial period June 1–December 31, 2005. The consolidated financial statements are presented in millions of euros and are based on the historical cost convention unless disclosed otherwise in these accounting principles.

The opening balance for the consolidated financial statements is based on the consolidated financial statements of the demerged Kone Corporation on May 31, 2005 prepared in accordance with the accounting and valuation principles of International Financial Reporting Standards (IFRS). The financial period in foreign subsidiaries has been January 1–December 31, 2005 and in Finnish subsidiaries April 1–December 31, 2005.

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 have 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 had no finance lease receivables related to customer finance on the balance sheet date.

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.

There were no held-to-maturity investments on the balance sheet date.

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. More information on hedging can be found in Note 28.

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 was at a low level and most of it consisted of a fixed interest rate bond. Interest fixing periods as well as interest-bearing loans and the average interest rates can be found in Note 23.

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 total EUR 282 million and a domestic commercial paper programme EUR 150 million. The long-term loan repayment schedule is presented in Note 23.

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. 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.

3.1 Business Segments

Income statement information

Jun 1–Dec 31, 2005 MEUR	Hiab	Kalmar	MacGREGOR	Others	Eliminations	Total
Sales, external	503.2	695.0	220.4	-	-	1,418.6
Sales, internal	1.4	-	-	-	-1.4	0.0
Total sales	**504.6**	**695.0**	**220.4**	-	**-1.4**	**1,418.6**
Operating income	**40.0**	**62.1**	**14.6***	**7.9****	**-**	**124.6**
Share of associated companies' net income	0.0	-0.1	-0.1	6.5	-	6.3
Financing items & taxes	-	-	-	-	-	-43.5
Net income	-	-	-	-	-	**87.4**
Depreciation and amortization	-7.0	-14.7	-1.8	-0.6	0.5	-23.6

* Including the final accounting impact of EUR -3.9 million on the MacGREGOR acquisition.

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

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***	9.0	33.0	6.5	0.0	-	48.5

* 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 period

Orders

MEUR	Orders received Jun 1–Dec 31, 2005	Order book Dec 31, 2005
Hiab	476.2	196.7
Kalmar	627.7	519.5
MacGREGOR	263.2	540.9
Eliminations	-1.2	-0.2
Total	**1,365.9**	**1,256.9**

Number of employees

	Average Jun 1–Dec 31, 2005	At the end of period Dec 31, 2005
Hiab	3,418	3,417
Kalmar	3,092	3,210
MacGREGOR	891	899
Corporate administration	45	45
Total	**7,446**	**7,571**

3.2 Geographical Segments

Sales

Jun 1–Dec 31, 2005 MEUR	Hiab	Kalmar	MacGREGOR	Eliminations	Total
EMEA (Europe, Middle East, Africa)	283.4	394.3	111.8	-	789.5
Americas	185.8	206.7	12.8	-1.4	403.9
Asia Pacific	35.4	94.0	95.8	-	225.2
Total	**504.6**	**695.0**	**220.4**	**-1.4**	**1,418.6**

Assets employed

MEUR	Dec 31, 2005
EMEA (Europe, Middle East, Africa)	329.5
Americas	67.1
Asia Pacific	54.4
Goodwill	440.7
Total	**891.7**

Number of employees

Number of employees	Dec 31, 2005
EMEA (Europe, Middle East, Africa)	5,484
Americas	1,143
Asia Pacific	944
Total	**7,571**

Capital expenditure*

MEUR	Jun 1–Dec 31, 2005
EMEA (Europe, Middle East, Africa)	30.1
Americas	2.3
Asia Pacific	7.6
Goodwill	8.5
Total	**48.5**

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

4. Acquisitions and Disposals

4.1 Acquisitions

MacGREGOR acquisition

Cargotec agreed on December 2, 2004 to purchase the entire share capital in global marine cargo-flow solution provider MacGREGOR International AB. The transaction was closed on March 4, 2005, when a preliminary combination was made as the definition of fair values and acquisition cost for the assets, liabilities and contingent liabilities was unfinished. The summary of the final accounting for the acquisition is presented in the table below. The impacts from the final accounting have been recognized retrospectively.

MEUR	Net fair values of identifiable assets and liabilities of the acquired businesses	Assets and liabilities immediately before the business combination
Trade mark (incl. in intangible assets)	36.9	-
Other intangible assets	3.9	1.1
Property, plant and equipment	7.7	7.9
Other non-current assets	22.8	16.2
Inventories	58.2	54.5
Non-interest-bearing assets	82.2	83.0
Cash and cash equivalents	18.9	18.9
Interest-bearing liabilities	-50.6	-50.6
Pension obligations	-16.7	-16.7
Other non-interest-bearing liabilities	-146.8	-139.9
Acquired minority	-1.2	-1.2
Acquired net assets	**15.3**	**-26.8**
Transaction price	121.7	
Costs related to acquisition	1.5	
Goodwill	**107.9**	

The transaction price was paid in cash in March 2005. The goodwill is attributable to MacGREGOR's global service and logistics network and experienced personnel employed by the business.

Other acquisitions

In 2005, Cargotec made several minor acquisitions. In June, Hiab acquired Transmachine Oy's business operations, which include the sale 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 the business operations of All Set Marine Lashing AB, a company specializing in container securing equipment. In December Kalmar established its own sales company in India by acquiring a 51-percent majority holding of its Indian retailer Indlift Trucks Pvt Ltd. 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 assets, liabilities and contingent liabilities is still unfinished.

Assets and liabilities of the acquired companies

MEUR	Net fair values of identifiable assets and liabilities of the acquired businesses	Assets and liabilities immediately before the business combination
Other intangible assets	0.3	0.0
Property, plant and equipment	0.3	0.2
Inventories	1.1	1.1
Non-interest-bearing assets	4.0	4.0
Cash and cash equivalents	0.0	0.0
Interest-bearing liabilities	-0.4	-0.4
Other non-interest-bearing liabilities	-4.4	-4.3
Acquired net assets	**0.9**	**0.6**
Transaction price	8.2	
Costs related to acquisitions	0.6	
Goodwill	**7.9**	
Transaction price paid in cash	8.2	
Costs related to acquisitions	0.6	
Cash and cash equivalents in acquired businesses	0.0	
Total cash outflow from acquisitions	**8.8**	

4.2 Disposals

MacGREGOR sold in June the galley business. The transaction did not significantly affect Cargotec's result.

5. Percentage of Completion Method

The effect of the percentage of completion method on sales was EUR 58.8 million for the period. The balance sheet includes EUR 16.5 million in unbilled contract revenue due to the percentage of completion method for long-term contracts in progress on the balance sheet date.

6. Other Operating Income and Expenses

Other operating income

MEUR	Jun 1–Dec 31, 2005
Gain on disposal of intangible and tangible assets	1.4
Customer finance related other income	5.9
Rent income	1.6
Other income	4.8
Total	**13.7**

Other operating expenses

MEUR	Jun 1–Dec 31, 2005
Loss on disposal of intangible and tangible assets	0.1
Customer finance related other expenses	5.2
Other expenses	4.8
Total	**10.1**

7. Personnel Expenses

MEUR	Jun 1–Dec 31, 2005
Wages and salaries	160.4
Share-based top management incentive scheme	1.5
Pension costs*	14.4
Other statutory employer costs	37.2
Total	**213.5**

*Pensions costs are presented in more details in Note 24, Employee Benefits. Information on top management compensation is presented in Note 30, Related-party Transactions. Information on number of personnel is presented in Note 3, Segment Information.

8. Depreciation, Amortization and Impairment Charges

By function

	Jun 1–Dec 31, 2005
Cost of goods sold	15.3
Selling and marketing	2.5
Research and development	0.7
Administration	2.0
Other	3.1
Total	**23.6**

By asset type

	Jun 1–Dec 31, 2005
Goodwill	-
Other intangible assets	2.3
Property, plant and equipment	21.3
Total	**23.6**

Impairment charges were not recognized during the financial period.

9. Financing Income and Expenses

Financing income

MEUR	Jun 1–Dec 31, 2005
Interest income	3.4
Change in fair value of interest rate swaps	0.8
Exchange rate differences, net	0.4
Other financing income	0.0
Dividends	0.0
Total	**4.6**

Financing expenses

MEUR	Jun 1–Dec 31, 2005
Interest expenses	9.1
Other financing expenses	0.9
Total	**10.0**

Operating income includes exchange rate losses of EUR 12.7 million.

10. Income Taxes

Taxes in income statement

MEUR	Jun 1–Dec 31, 2005
Current year tax expense	30.6
Change in deferred tax assets and liabilities	-0.4
Tax expense for previous years	7.9
Total	**38.1**

Reconciliation of income before taxes with total income taxes in income statement

MEUR	Jun 1–Dec 31, 2005
Income before taxes	125.5
Tax calculated at the domestic corporation tax rate	32.6
Effect of different tax rates in foreign subsidiaries	1.0
Previous years´ taxes	7.9
Non-deductible expenses and tax exempt income	1.9
Benefit arising from previously unrecognised tax losses and temporary differences	-6.5
Unrecognized current year tax losses and temporary differences	1.5
Change in previous years´ deferred tax asset	0.2
Effect of changes in tax rates	-0.5
Total	**38.1**
Effective tax rate, %	30.4%

11. 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.

	Jun 1–Dec 31, 2005
Net income attributable to the shareholders of the parent company, MEUR	85.9
Weighted average number of shares, (´000)	63,748
Basic earnings per share, EUR	**1.35**

Net income attributable to the shareholders of the parent company, MEUR	85.9
Weighted average number of shares dilution adjusted, (´000)	64,139
Diluted earnings per share, EUR	**1.34**

12. Goodwill

MEUR	
Book value Jun 1, 2005	437.5
Increase	0.5
Companies acquired	7.9
Companies sold	-0.4
Translation difference	-4.8
Book value Dec 31, 2005	**440.7**

The accounting for the acquisitions of MacGREGOR International AB, Peinemann Kalmar CV and Peinemann Kalmar Rental BV that prior to the financial period were made as preliminary have during the period been concluded. The book value of goodwill on June 1, 2005 has been corrected with the restatements on the preliminary assumptions totaling EUR -49.5 million. More information on acquisitions is presented in Note 4 Acquisitions and Disposals.

Impairment testing of goodwill

For impairment testing goodwill is allocated to business segments, which form the Group’s cash generating units. Goodwill is impairment tested annually or more frequently if there is any indication that the current value is not recoverable.

MEUR	Dec 31, 2005
Hiab	166.9
Kalmar	162.9
MacGREGOR	110.9
Total	**440.7**

The value-in-use calculations use cash flow projections based on financial estimates approved by the management covering a three-year period. Cash flows beyond the three-year period are extrapolated cautiously by assuming no growth. The discount rate used in 2005 was 8.1%. Based on these calculations no impairment loss needs to be recognized.

13. Other Intangible Assets

MEUR	Development costs	Trademarks	Other	Total
Acquisition cost Jun 1, 2005	1.4	36.9	21.5	59.8
Increase	0.2	-	0.5	0.7
Companies acquired	-	-	0.3	0.3
Decrease	0.0	-	-0.2	-0.2
Translation difference	0.0	-	0.1	0.1
Acquisition cost Dec 31, 2005	**1.6**	**36.9**	**22.2**	**60.7**
Accumulated amortization and impairment Jun 1, 2005	-0.4	-	-11.5	-11.9
Amortization during the financial period	0.0	-	-2.3	-2.3
Translation difference	0.0	-	-0.1	-0.1
Accumulated amortization and impairment Dec 31, 2005	**-0.4**	**-**	**-13.9**	**-14.3**
Book value Jun 1, 2005	1.0	36.9	10.0	47.9
Book value Dec 31, 2005	1.2	36.9	8.3	46.4

Trademarks concern MacGREGOR´s business. Trademarks are impairment tested annually or more frequently if there is any indication that the current value is not recoverable.

14. Property, Plant and Equipment

MEUR	Land	Buildings	Machinery & equipment	Fixed assets under construction	Advance Payments	Total
Acquisition cost Jun 1, 2005	15.0	119.3	323.1	2.6	0.1	460.1
Increase	0.0	3.0	28.1	5.8	-0.1	36.8
Companies acquired	-	-	0.4	-	-	0.4
Companies sold	-	-	-0.1	-	-	-0.1
Reclassification	0.0	0.0	0.3	-0.2	0.0	0.1
Decrease	0.0	0.0	-14.0	-0.3	0.0	-14.3
Translation difference	0.0	0.1	-3.1	0.0	0.0	-3.0
Acquisition cost Dec 31, 2005	**15.0**	**122.4**	**334.7**	**7.9**	**0.0**	**480.0**
Accumulated depreciation and impairment Jun 1, 2005	-0.8	-58.5	-211.0	-	-	-270.3
Depreciation during the financial year	-	-3.1	-18.2	-	-	-21.3
Decrease	0.0	0.0	5.0	-	-	5.0
Companies acquired	-	-	-0.1	-	-	-0.1
Companies sold	-	-	0.1	-	-	0.1
Translation difference	0.0	0.1	2.8	-	-	2.9
Accumulated depreciation and impairment Dec 31, 2005	**-0.8**	**-61.5**	**-221.4**	**-**	**-**	**-283.7**
Book value Jun 1, 2005	14.2	60.8	112.1	2.6	0.1	189.8
Book value Dec 31, 2005	14.2	60.9	113.3	7.9	0.0	196.3

During the financial period of Jun 1-Dec 31, 2005 capital expenditure excluding acquisitions totaled EUR 39.4 million, of which customer financing accounted for EUR 21.3 million and new finance lease agreements EUR 0.3 million. In 2005, investments aimed at developing the service business and increasing the flexibility of assembly operations and moving them closer to the end customer 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.

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.

Finance lease agreements

Property, plant and equipment include capitalized finance leases as follows:

MEUR	Buildings	Machinery & equipment	Total
Acquisition cost Jun 1, 2005	6.4	6.0	12.4
Increase	-	0.3	0.3
Decrease	-	-3.1	-3.1
Translation difference	0.1	0.0	0.1
Acquisition cost Dec 31, 2005	**6.5**	**3.2**	**9.7**
Accumulated depreciation and impairment Jun 1, 2005	-2.1	-3.3	-5.4
Depreciation during the financial year	-0.2	-0.6	-0.8
Decrease	-	1.4	1.4
Translation difference	-0.1	0.0	-0.1
Accumulated depreciation and impairment Dec 31, 2005	**-2.4**	**-2.5**	**-4.9**
Book value Jun 1, 2005	4.3	2.7	7.0
Book value Dec 31, 2005	4.1	0.7	4.8

Customer finance agreements

Property, plant and equipment include machinery and equipment leased out under customer finance contracts as follows:

MEUR	Machinery & equipment
Acquisition cost Jun 1, 2005	93.8
Increase	21.3
Decrease	-11.3
Translation difference	-1.4
Acquisition cost Dec 31, 2005	**102.4**
Accumulated depreciation and impairment Jun 1, 2005	-39.8
Depreciation during the financial year	-9.1
Decrease	3.6
Translation difference	1.2
Accumulated depreciation and impairment Dec 31, 2005	**-44.1**
Book value Jun 1, 2005	54.0
Book value Dec 31, 2005	58.3

15. Investments in Associated Companies

Book value Jun 1, 2005	
MEUR	62.5
Share of associated companies' net income	6.3
Decrease*	-66.5
Reclassification	-0.7
Translation difference	0.0
Book value Dec 31, 2005	**1.6**

The book value of investments in associated companies at the end of period does not include goodwill or publicly listed companies.

*Cargotec signed an agreement on September 21, 2005 to divest its 41.7 percent minority stake in precast concrete element manufacturer Consolis. The transaction was closed on October 31, 2005. The capital gain from the transaction of EUR 15.4 million has been presented as a separate item in the income statement. In segment information it is included in the Others segment.

Principal associated companies

Dec 31, 2005						Shareholding (%)	
MEUR	Country	Assets	Liabilities	Sales*	Net income*	Parent company	Group
Haida-MacGREGOR Jiangyin Sealing Co. Ltd	China	3.6	0.5	3.8	0.6	-	25.0
Other associated companies (6 companies)							

*12 month financial period

The figures presented in the table above are based on the latest available financial statements. The financial period for associated companies is mainly the calendar year, and for the calculation of the share of net income the reporting of associated companies has been adjusted to comply with Cargotec's financial period (Jun 1–Dec 31, 2005).

16. Non-current Available-for-Sale Investments

Book value Jun 1, 2005	
MEUR	0.4
Increase	0.0
Reclassification	0.7
Decrease	0.0
Translation difference	0.0
Book value Dec 31, 2005	**1.1**

Non-current available-for-sale investments include unlisted shares which are carried at cost as the fair value of these assets cannot be measured reliably or the fair value would not significantly differ from the acquisition cost.

17. Deferred Tax Assets and Liabilities

Deferred tax assets

MEUR	Jun 1, 2005	Charged to income statement	Charged to shareholders' equity	Translation difference	Acquired / sold companies	Dec 31, 2005
Tax losses carried forward	18.7	-4.9	-	0.0	-	13,8
Provisions	13.1	3.6	-	0.3	-	17.0
Depreciation difference	2.2	-0.5	-	0.0	-	1.7
Pensions	3.2	0.7	-	0.0	-	3.9
Consolidation entries	4.2	1.4	-	-0.1	-	5.5
Change in fair value	0.9	0.0	2.6	0.0	-	3.5
Other temporary differences for assets	9.1	-3.2	-	-0.6	-	5.3
Total	**51.4**	**-2.9**	**2.6**	**-0.4**	**-**	**50.7**

Deferred tax liabilities

MEUR	Jun 1, 2005	Charged to income statement	Charged to shareholders' equity	Translation difference	Acquired / sold companies	Dec 31, 2005
Depreciation difference	3.6	0.8	-	-0.1	-	4.3
Goodwill amortization	0.5	1.0	-	0.0	-	1.5
Trade mark	6.1	0.0	-	0.0	-	6.1
Research and development	0.3	0.0	-	0.0	-	0.3
Change in fair value	0.0	0.0	1.9	0.0	-	1.9
Share-based payments	0.0	0.2	0.0	0.0	-	0.2
Other temporary differences for liabilities	9.3	-5.3	-	0.1	0.1	4.2
Total	**19.8**	**-3.3**	**1.9**	**0.0**	**0.1**	**18.5**
Net deferred tax assets and liabilities	31.6	0.4	0.7	-0.4	-0.1	32.2

On December 31, 2005 the Group had EUR 18.6 million of tax losses carried forward of which no deferred tax assets were recognized because the realization of the tax benefit is not probable. The tax losses of EUR 1.4 million will expire during next five years and the rest EUR 17.2 million have no expiry date.

Deferred tax liability on undistributed earnings of foreign subsidiaries has not been recognised because distribution of the earnings is in the control of the Group and such distribution is not probable within the foreseeable future.

18. Inventories

MEUR	Dec 31, 2005
Raw materials and supplies	145.1
Work in progress	176.3
Finished goods	130.2
Advance payments	12.8
Total	**464.4**

Write-downs of inventories to net realisable value were EUR 33.5 million during the period.

19. Accounts Receivable and Other Non-interest-bearing Assets

MEUR	Dec 31, 2005
Accounts receivable	360.5
Deferred interests	2.5
Other deferred assets	60.7
Unbilled contract revenue from long-term contracts	16.5
Derivative assets	13.6
Total	**453.8**

The Group has deducted EUR 10.3 million provision for doubtful accounts from accounts receivable.

20. Cash and Cash Equivalents

MEUR	Dec 31, 2005
Cash at bank and in hand	62.9
Commercial papers	29.3
Short-term deposits	22.3
Total	**114.5**

The average effective interest rate of the commercial papers and short-term deposits portfolio on December 31, 2005 was 2.30 percent.

21. Equity

Total shareholders´ equity consists of share capital, share premium account, treasury shares, translation differences, fair value and other reserves and retained earnings. The share premium account includes the change in share capital, which exceeds the nominal value of shares and the difference between the sales price and the acquisition cost of treasury shares. Translation differences caused by translation of foreign companies' financial statements are included in translation differences. Fair value and other reserves include the changes in fair value of derivatives used for hedging cash flows and changes in fair value of available-for-sale financial assets. Net income for the period is recorded in retained earnings.

See also Shares and Shareholders -chapter.

Distributable Equity

MEUR	Dec 31, 2005
Retained earnings	611.4
Treasury shares	-5.0
Other non-distributable items	
Equity share of untaxed reserves	-6.8
Total	**599.6**

Distributable equity is calculated based on Finnish legislation.

22. Share-based Payments

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. Option rights granted before June 1, 2005 did not result in restatements of prior periods.

Cargotec option rights result from of the demerger of Kone Corporation, where holders of option rights under the Kone 2004 option program received new Cargotec option rights. This option program is described in the chapter Shares and Shareholders. The Board of Directors has during the financial period allocated 20 660 class B stock options to be used for the incentive scheme of 35 top management members. The fair value of these option rights at the financial statements is based on the listed average weighted price of Cargotec's series A and B option rights during June-August 2005.

As part of the top management incentive scheme synthetic options have been granted to top management. The earnings criteria for the synthetic options is Cargotec's share performance for 2005-2007. The synthetic options will be lost if the holder leaves the company before the vesting period ends. The fair value of the synthetic options has been determined using the Black-Scholes valuation model. Expected volatility is based on the historical volatility.

Both share-based incentives will vest in March 2007. Synthetic options will be settled in cash.

23. Interest-bearing Liabilities

MEUR	Carrying amount Dec 31, 2005
Non-current	
Loans from financial institutions	85.3
Corporate bonds	99.7
Finance lease liabilities	12.1
Total	**197.1**
Current portion of long-term loans	
Loans from financial institutions	18.4
Corporate bonds	-
Finance lease liabilities	3.4
Total	**21.8**
Current	
Loans from financial institutions	14.0
Bank overdrafts used	3.3
Total	**17.3**
Total interest-bearing liabilities	**236.2**

The fair values of the interest-bearing liabilities are not materially different from their carrying amounts.

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 related to the demerger, Cargotec has signed a EUR 150 million commercial paper program and agreed on new long-term loans and credit limits with banks for a total of EUR 282 million. The credit limits were unused on December 31, 2005.

Interest-bearing liabilities by currency

MEUR	Dec 31, 2005
EUR	173.3
SEK	40.0
JPY	5.9
USD	4.0
Other	13.0
Total	**236.2**

Repayment schedule of non-current interest-bearing liabilities

MEUR	2007	2008	2009	2010	Later	Total
Loans from financial institutions	0.4	13.0	0.0	21.8	50.1	85.3
Corporate bonds	-	-	-	-	99.7	99.7
Finance lease liabilities	2.8	2.6	2.1	1.3	3.3	12.1
Total	**3.2**	**15.6**	**2.1**	**23.1**	**153.1**	**197.1**

The average effective interest rate of the non-current liabilities portfolio on December 31, 2005 was 3.41 percent and that of current liabilities 2.59 percent.

Interest fixing periods

MEUR	0–6 mths	6–12 mths	12–24 mths	24–36 mths	Later	Total
Interest-bearing assets	-115.1	-	-0.1	-0.5	-	-115.7
Non-current loans from financial institutions	103.6	-	0.1	-	-	103.7
Corporate bonds	-	-	-	-	99.7	99.7
Finance lease liabilities	1.6	0.5	3.2	1.6	8.6	15.5
Current interest-bearing liabilities	17.3	-	-	-	-	17.3
Interest rate swaps	-30.0	20.0	10.0	-	-	0.0
Net	**-22.6**	**20.5**	**13.2**	**1.1**	**108.3**	**120.5**

Cargotec has non-cancellable finance lease agreements for property, plant and equipment with varying terms and renewal rights.

Present value of finance lease liabilities

MEUR	Dec 31, 2005
Minimum lease payments	
Less than 1 year	3.8
1–5 years	10.4
Over 5 years	5.2
Total	19.4
Future finance charges	-3.9
Present value of finance lease liabilities	**15.5**

MEUR	Dec 31, 2005
Less than 1 year	3.4
1–5 years	8.8
Over 5 years	3.3
Present value of finance lease liabilities	**15.5**

24. Employee Benefits

The Group has various employee benefits plans throughout the world. Pension arrangements are made in accordance with local regulations and practise in line with the defined contribution pension plans or defined benefit pension plans. For defined benefit pension plans retirement, disability, death and termination income benefits are determined, retirement benefits generally being a function of years worked and final salary.

In Finland, pension cover has been arranged through local insurance companies in accordance with defined contribution plans (Finnish Statutory Employment Pension Scheme "TEL"). In Sweden, several companies have arranged the pension cover through both insurance companies and book reserves in accordance with the Swedish "FPG/PRI System". Other post-employment unfunded obligations include book reserves for termination income benefits, which are made in some countries in accordance with local practise.

The main countries having funded defined benefit plans are UK, USA and Sweden. Defined benefit pension plans are funded by the relevant group companies to satisfy local statutory funding requirements. The discount rates used in actuarial calculations of employee benefits liabilities are adjusted to market rates.

Amounts recognised in balance sheet

MEUR	Defined benefit plans Dec 31, 2005	Other post-employment benefits Dec 31, 2005	Total
Present value of unfunded obligations	28.5	0.3	28.8
Present value of funded obligations	31.9	0.0	31.9
Fair value of benefit plans' assets	-20.7	0.0	-20.7
Unrecognized actuarial gains (+)/losses (-)	-4.9	0.0	-4.9
Total	**34.8**	**0.3**	**35.1**

Benefit plan reconciliation

MEUR	Defined benefit plans	Other post-employment benefits	Total
Net liability Jun 1, 2005	34.5	0.7	35.2
Translation difference	-0.7	0.0	-0.7
Acquisition of new companies	-	-	-
Disposal of companies	-	-	-
Costs recognized in income statement	2.9	0.0	2.9
Paid contributions	-1.8	-0.5	-2.3
Net liability Dec 31, 2005	**34.9**	**0.2**	**35.1**

Pensions recognised in income statement

MEUR	Jun 1–Dec 31, 2005
Defined contribution pension plans	11.5
Defined benefit pension plans	2.9
Other post-employment benefits	0.0
Total	**14.4**

Jun 1–Dec 31, 2005

MEUR	Defined benefit plans
Current service costs	1.1
Interest costs	1.5
Expected return on plans' assets	-0.7
Net actuarial gains (-)/losses (+) recognized	0.0
Past-service costs	1.2
Settlements	-0.2
Total	**2.9**

Defined benefit plans: Assumptions used in calculating benefit obligations

	Europe	U.S.A.
Discount rate (%)	4.0 - 5.0	5.75
Expected return on plan assets (%)	4.0 - 5.5	7.0
Future salary increase (%)	2.7 - 4.2	4.5

25. Provisions

MEUR	Provision for warranty	Provision for claims	Provision for business re-organization	Provision for loss contracts	Other provisions	Total
Total provision Jun 1, 2005	34.8	0.6	1.1	1.8	4.8	43.1
Translation difference	-0.1	-0.1	0.0	0.0	0.0	-0.2
Increase	20.5	0.1	0.0	1.2	15.7	37.5
Provision used	-7.8	-0.1	0.0	-1.5	-1.8	-11.2
Reversal of provision	-3.3	0.0	-0.4	0.0	-1.4	-5.1
Companies acquired / sold	0.0	0.0	0.0	0.0	0.0	0.0
Total provision Dec 31, 2005	**44.1**	**0.5**	**0.7**	**1.5**	**17.3**	**64.1**

MEUR	Non-current liabilities	Current liabilities	Total
Distribution of the provisions as of Dec 31, 2005	18.2	45.9	64.1

Provisions for warranties cover the expenses related to warranty claims from goods sold in the financial period or earlier with a valid warranty. Provisions for claims are made for claims received for which the value, probability and realization can be estimated. Provisions for loss contracts are recognized when it is probable that contract costs will exceed the estimated total contract revenue. The expected loss is recognized as an expense immediately. Other provisions include various items, e.g. provisions for severance, unemployment and other employment items, tax provisions and provisions for divested operations.

26. Accounts Payable and Other Non-interest-bearing Liabilities

MEUR	Dec 31, 2005
Accounts payable	288.7
Advances received	119.6
Accrued interests	5.0
Share-based incentives	0.6
Accrued salaries, wages and employment costs	60.7
Advance rents, customer finance	14.1
Other accrued expenses	111.3
Derivative liabilities	28.9
Total	**628.9**

27. Commitments

MEUR	Dec 31, 2005
Guarantees	1.2
Customer finance	17.7
Operating leases	29.5
Other contingent liabilities	4.1
Total	**52.5**

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
Less than 1 year	9.4
1–5 years	19.0
Over 5 years	1.1
Total	**29.5**

The aggregate operating lease expenses totaled EUR 6.0 million.

Customer finance commitments

MEUR	Dec 31, 2005
Dealer financing	9.9
End customer financing	7.8
Total	**17.7**

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

28. 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
FX forward contracts			
Subsidiaries	10.9	25.3	-14.4
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
Total	**13.6**	**28.9**	**-15.3**

Nominal values of derivative financial instruments

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

29. Group as Lessor

Cargotec rents out container handling equipment under non-cancellable operating leases. The leases have varying terms and renewal rights.

The future minimum lease payment receivables under non-cancellable operating leases

MEUR	Dec 31, 2005
Less than 1 year	12.2
1-5 years	21.5
Over 5 years	1.3
Total	**35.0**

Rent income recognized in sales was EUR 8.3 million.

30. Related-party Transactions

Transactions with associated companies

MEUR	Jun 1–Dec 31, 2005
Sale of goods and services	7.2
Purchase of goods and services	11.0

Balances with associated companies

MEUR	Dec 31, 2005
Non-current loans receivable	0.1
Accounts receivable	2.1
Accounts payable	1.1

Transactions with associated companies are made at market price.

Employee benefits for top management

MEUR	Jun 1–Dec 31, 2005
Wages and salaries	2.0
Share-based top management incentive scheme	0.5
Post-employment benefits	0.3
Total	**2.8**

Top management consist of the Board of Directors and the Executive Committee.

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.

Wages and salaries paid

1,000 EUR		Jun 1–Dec 31, 2005
Carl-Gustaf Bergström	President and CEO	286.4
Kari Heinistö	Senior Executive Vice President and CFO	164.5
Ilkka Herlin	Chairman of the Board (since Jul 12, 2005)	24.0
Henrik Ehrnrooth	Deputy Chairman of the Board (since Jul 12, 2005)	18.0
Tapio Hakakari	Board member (since Jul 12, 2005)	12.0
Antti Herlin	Board member (since Jul 12, 2005), Chairman of the Board (Jun 1–Jul 12, 2005)	16.8
Peter Immonen	Board member (since Jul 12, 2005)	12.0
Karri Kaitue	Board member (since Jul 12, 2005)	12.0
Matti Alahuhta	Board member (Jun 1–Jul 12, 2005)	2.8
Jean-Pierre Chauvarie	Board member (Jun 1–Jul 12, 2005)	2.8
Sirkka Hämäläinen-Lindfors	Deputy Chairman of the Board (Jun 1–Jul 12, 2005)	4.2
Masayuki Shimono	Board member (Jun 1–Jul 12, 2005)	2.8
Iiro Viinanen	Board member (Jun 1–Jul 12, 2005)	2.8
Gerhard Wendt	Board member (Jun 1–Jul 12, 2005)	2.8

Share and option ownership of the Board of Directors and top management are presented in chapter Shares and Shareholders.

31. Principal Subsidiaries

		Shareholding (%)	
Hiab	**Country**	**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)			

		Shareholding (%)	
Kalmar	**Country**	**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)			

		Shareholding (%)	
MacGREGOR	**Country**	**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)			

		Shareholding (%)	
Others	**Country**	**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.

Financial Statements of the Parent Company (FAS)

Parent Company Income Statement

MEUR	Jun 1–Dec 31, 2005
Sales	4.8
Administration expenses	-3.2
Other operating income	69.6
Other operating expenses	-9.7
Operating income	**61.5**
Financing income and expenses	
Interest and other financial income	
From subsidiaries	18.7
From others	56.6
Interest and other financial expenses	
To subsidiaries	-7.6
To others	-60.5
Total financing income and expenses	7.2
Income before extraordinary items	**68.7**
Extraordinary items	
Extraordinary income	12.0
Extraordinary expenses	-2.0
Total extraordinary items	10.0
Income before appropriations and taxes	**78.7**
Taxes	-5.3
Profit for the financial period	**73.4**

Figures are presented according to Finnish Accounting Standards (FAS).

Parent Company Balance Sheet

MEUR	Dec 31, 2005
Assets	
Non-current assets	
Intangible assets	
Intangible rights	0.1
Other long-term expenditures	0.1
Total intangible assets	**0.2**
Tangible assets	
Buildings	0.1
Machinery and equipment	0.2
Total tangible assets	**0.3**
Investments	
Shares in subsidiaries	957.0
Other stocks and shares	1.0
Total investments	**958.0**
Total non-current assets	**958.5**
Current assets	
Receivables	
Long-term receivables	
Receivables from subsidiaries	50.9
Short-term receivables	
Accounts receivable	0.0
Receivables from subsidiaries	789.8
Deferred assets	3.6
Total short-term receivables	793.4
Total receivables	**844.3**
Cash and bank	**58.6**
Total current assets	**902.9**
Total assets	**1,861.4**

MEUR	Dec 31, 2005
Equity and Liabilities	
Capital and reserves	
Share capital	63.9
Share premium account	95.1
Treasury shares	-5.0
Retained earnings	808.2
Profit for the financial period	73.4
Total capital and reserves	**1,035.6**
Provisions	**0.3**
Liabilities	
Long-term liabilities	
Loans from financial institutions	184.5
Liabilities to subsidiaries	50.0
Total long-term liabilities	**234.5**
Current liabilities	
Loans from financial institutions	16.6
Accounts payable	0.4
Liabilities to subsidiaries	562.3
Deferred liabilities	11.7
Total current liabilities	**591.0**
Total liabilities	**825.5**
Total equity and liabilities	**1,861.4**

Figures are presented according to Finnish Accounting Standards (FAS).

Key Financial Figures

Consolidated Income Statement		Jun 1–Dec 31, 2005
Sales	MEUR	1,419
Exports from and sales outside Finland	MEUR	1,374
Operating income 1)	MEUR	109
% of sales 1)	%	7.7
Income before taxes	MEUR	126
% of sales	%	8.8
Net income for the period	MEUR	87
% of sales	%	6.2

Consolidated Balance Sheet		Dec 31, 2005
Non-current assets	MEUR	739
Current assets	MEUR	1,041
Total equity	MEUR	767
Non-current liabilities	MEUR	281
Current liabilities	MEUR	732
Total assets	MEUR	1,781
Interest-bearing net debt	MEUR	121
Capital employed	MEUR	1,003
Assets employed	MEUR	892

Other key figures		Jun 1–Dec 31, 2005
Orders received	MEUR	1,366
Order book	MEUR	1,257
Depreciation and amortization	MEUR	24
Capital expenditure in intangible assets and property, plant and equipment	MEUR	18
Capital expenditure in customer financing	MEUR	21
Total % of sales	%	2.8
Capital expenditure 2)	MEUR	49
% of sales	%	3.4
Research and development costs	MEUR	18
% of sales	%	1.2
Average number of employees		7,446
Number of employees at the end of period		7,571
Return on equity 3)	%	20.8
Return on capital employed 3)	%	21.9
Total equity/total assets	%	46.2
Gearing	%	15.7
Dividends 4)	MEUR	41

1) Excluding gain on the sale of Consolis

2) Including acquisitions and investments in shares

3) Annualized

4) 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
Return on equity (%)	=	100 x	Net income for the period / Total equity (average for the period)
Return on capital employed (%)	=	100 x	Income before taxes + interest and other financing expenses / Total assets – non-interest-bearing debt (average for the period)
Total equity / total assets (%)	=	100 x	Total equity / Total assets – advances received
Gearing (%)	=	100 x	Interest-bearing debt – interest-bearing assets / Total equity
Basic earnings / share	=		Net income attributable to the shareholders of the parent company / Share issue adjusted weighted average number of shares during the period (excluding treasury shares)
Equity / share	=		Total equity attributable to the shareholders of the parent company / Share issue adjusted number of shares at the end of period (excluding treasury shares)
Dividend / share	=		Dividend for the financial period / Share issue adjusted number of shares at the end of period (excluding treasury shares)
Dividend / earnings (%)	=	100 x	Dividend for the financial period / share / Basic earnings / share
Effective dividend yield (%)	=	100 x	Dividend / share / Share issue adjusted closing price for the class B share at the end of period
Price / earnings (P/E)	=		Share issue adjusted closing price for the class B share at the end of period / Basic earnings / share
Average share price	=		EUR amount traded during the period for the class B share / 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
Trading volume (%)	=	100 x	Number of class B shares traded during the period / Average weighted number of class B shares during the period

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.

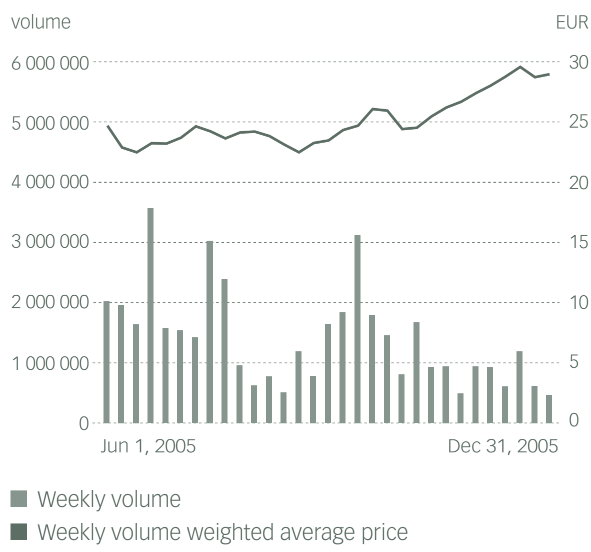
At the end of the financial period, Cargotec's Board of Directors had no current authorization to issue shares, grant option rights, raise the share capital, or issue convertible, or warrant loans. Neither has the company decided to issue shares, option rights, or convertible bonds during the financial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

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**	

highest quote for a series A option right was EUR 65.00 and 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

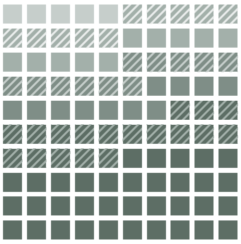
Shareholders

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.

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

		Jun 1–Dec 31, 2005
Earnings per share		
Basic earnings per share, Jun 1–Dec 31, 2005	EUR	1.35
Diluted earnings per share, Jun 1–Dec 31, 2005	EUR	1.34
Basic earnings per share, annualized	EUR	2.31
Diluted earnings per share, annualized	EUR	2.30
Equity per share	EUR	11.93
Dividend per class B share 1)	EUR	0.65
Dividend per class A share 1)	EUR	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
Number of class A shares at the end of period 4)	('000)	9,526
Weighted average number of class B shares 5)	('000)	54,222
Number of class B shares at the end of period 5)	('000)	54,191
Diluted weighted average number of class B shares 5)	('000)	54,613

1) Board´s proposal

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

3) During the period Jun 1–Dec 31, 2005

4) No dilution on class A shares

5) Excluding treasury shares

Definitions for share-related key figures are presented on page 42.

Board of Directors' Dividend Proposal

Cargotec's distributable equity as of December 31, 2005 is EUR 599.6 million. The parent company's distributable equity on December 31, 2005 is EUR 876,616,715.44 of which net profit from the financial period under review is EUR 73,397,232.80.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.64 be paid on the 9,526,089 class A shares and EUR 0.65 on outstanding 54,191,166 class B shares totaling EUR 41,453,359.86. The Board of Directors proposes that the rest, EUR 835,163,355.58 be retained and carried forward.

The Board proposes that the dividends be paid on March 10, 2006.

Helsinki, January 31, 2006

Ilkka Herlin

Chairman of the Board

Henrik Ehrnrooth

Deputy Chairman

Tapio Hakakari

Member of the Board

Antti Herlin

Member of the Board

Peter Immonen

Member of the Board

Karri Kaitue

Member of the Board

Carl-Gustaf Bergström

President and CEO

Auditor's Report

To the shareholders of Cargotec Corporation

We have audited the accounting records, the financial statements and the administration of Cargotec Corporation for the period Jun 1–Dec 31, 2005. The Board of Directors and the President and CEO have prepared the report of the Board of Directors and the consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the EU and the parent company's financial statements prepared in accordance with prevailing regulations in Finland, that include the parent company's balance sheet, income statement, cash flow statement and the notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, the parent company's financial statements and on the administration of the parent company.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. The purpose of our audit of administration is to examine that the members of the Board of Directors and the President and CEO of the parent company have complied with the rules of the Companies' Act.

Consolidated financial statements

In our opinion the consolidated financial statements give a true and fair view, as referred to in the International Financial Reporting Standards as adopted by the EU and defined in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position. The consolidated financial statements can be adopted.

Parent company's financial statements and administration

In our opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of financial statements in Finland. The financial statements give a true and fair view, as defined in the Finnish Accounting Act, of the parent company's result of operations as well as of the financial position. The financial statements can be adopted and the members of the Board of Directors and the President and CEO of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the distributable funds is in compliance with the Companies' Act.

Helsinki, February 5, 2006

PricewaterhouseCoopers Oy

Authorised Public Accountants

Jouko Malinen

Authorised Public Accountant

Jukka Ala-Mello

Authorised Public Accountant

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