Cargotec Corporation's Financial Statements Review

January–December 2007

Q4

Cargotec

Cargotec Corporation's Financial Staments Review January–December 2007

- Orders received grew by over 40 percent and were EUR 4,106 (1–12/2006: 2,910) million. During the fourth quarter, orders received amounted to EUR 1,214 (10–12/2006: 716) million.
- The order book strengthened to EUR 2,865 (December 31, 2006: 1,621) million.
- Sales grew by 16 percent and was EUR 3,018 (1–12/2006: 2,597) million. Sales for the final quarter totalled a record of EUR 868 (10–12/2006: 697) million. Growth was strongest in Asia Pacific.
- Services sales in 2007 grew by 32 percent representing 25 percent of sales.
- Operating profit for 2007 excluding a one-off cost of EUR 18.0 million in Kalmar business area related to a container spreader inspection programme was EUR 221.1 (1–12/2006: 222.6) million with EUR 64.3 (10–12/2006: 57.8) million attributable to the fourth quarter.
- Operating profit for 2007 including the one-off was EUR 203.1 (1–12/2006: 240.4) million with EUR 46.3 (10–12/2006: 57.7) million attributable to the fourth quarter.
- Cash flow from operating activities before financial items and taxes totalled EUR 235.1 (1–12/2006: 249.8) million.
- Net income for the period was EUR 138.4 (1–12/2006: 166.1) million.
- Earnings per share were EUR 2.17 (1–12/2006: 2.57) with EUR 0.45 (10–12/2006: 0.61) attributable to the fourth quarter.
- The number of personnel at the end of the reporting period was 11,187 (December 31, 2006: 8,516). Acquisitions during the year increased the number of personnel by close to 1,850.
- Board of Directors will propose at the Annual General Meeting that a dividend of EUR 1.04 per each class A class share and EUR 1.05 per each class B share be paid.
- Investments in the strategic development of Cargotec will continue and growth in services is expected to remain strong. Based on the record high order book at the beginning of the year management estimates sales growth in 2008 to be at the year 2007 level. General market activity and Cargotec's orders received are expected to continue healthy although in MacGREGOR the achievement of the exceptionally high order intake level of 2007 is a stretch. Operating margin in 2008 is expected to improve from the 2007 level. The U.S. market continues weak without yet any signs of improvement.

The figures in this financial statements review are audited.

Operating Environment

Demand for Hiab's load handling equipment was very buoyant during 2007 in Europe and Asia Pacific. Demand increased in various customer segments, particularly in Eastern Europe, Russia and in many markets of Asia Pacific. The lengthening of truck delivery times in Europe during the year also lengthened the delivery times of loader cranes and demountable systems. In the United States, demand for load handling equipment was weak particularly for truck-mounted forklifts and tail lifts, following the fall in construction market in late spring. Demand for new trucks was also sluggish in the United States. Demand for forestry cranes continued strong in forest machines.

Demand for Kalmar's container handling equipment was healthy throughout 2007. In particular, demand for reachstackers grew significantly whereas that for straddle carriers was lower than in 2006. The terminal tractor market slackened somewhat during the fourth quarter but, considering the whole year, the markets remained healthy. In the Middle East, market activity was lively. With respect to heavy industrial forklifts, the markets continued to be very strong in Europe.

Demand for MacGREGOR's marine cargo flow and offshore solutions was record-high in 2007. The number of new vessel orders in shipyards around the world increased. Demand for ship cranes reached a record level, reflecting strong demand for bulk carriers and general cargo vessels. The RoRo equipment market was very buoyant, particularly with respect to PCTCs (pure car and truck carriers). Demand for offshore solutions was very lively throughout the year with MacGREGOR securing several major orders. With respect to bulk handling equipment, markets were strong in Asia and healthy in the Middle East and Europe.

Demand for Cargotec Services remained favourable throughout the year. Demand for load handling equipment services was strong in Europe due to higher levels of installed equipment whereas in the United States demand fell due to the low usage rate of such equipment. Demand for container handling equipment services remained high throughout the year, particularly in Europe and Asia. The market for marine cargo flow services remained strong, particularly in Europe and Asia. The conversion of tankers into bulk ships is increasing demand for conversion projects.

Orders Received

Orders received by Cargotec in 2007 totalled a record high of EUR 4,106 (1–12/2006: 2,910) million. The value of orders secured during the fourth quarter amounted to EUR 1,214 (10–12/2006: 716) million.

Orders received, MEUR	1-12/2007	1-12/2006
Hiab	985	946
Kalmar	1,429	1,282
MacGREGOR	1,696	684
Internal orders received	-4	-2
Total	4,106	2,910

Hiab

Of all orders received in January–December 2007, Hiab accounted for EUR 985 (1–12/2006: 946) million. Orders received in October–December totalled EUR 254 (10–12/2006: 241) million.

Hiab secured many large orders in 2007 in addition to numerous smaller orders. During the fourth quarter the company agreed on the delivery of 60 tail lifts to the construction industry in the UK. In December, Hiab signed a contract on the delivery of 157 hooklifts to the truck manufacturer, MAN Nutzfahrzeuge AG. These hooklifts will be installed onto MAN trucks and supplied to the German defence forces during 2008–2012.

Hiab is teamed with BAE Systems, which the Australian Government has selected as its preferred bidder for an extensive equipment project of the Australian defence forces. Hiab expects to get confirmed significant order of cranes and hooklifts during 2008.

During the fourth quarter Hiab strengthened its presence in India when its newly established sales company signed a contract on the delivery of 43 load handling equipment for the commercial sector and waste handling.

Despite weakened demand in the U.S. markets, Hiab received during the fourth quarter an order for 132 truck-mounted forklifts from a company specialising in interior decoration supplies and building materials. Hiab also received significant loader cranes orders from Mexico.

In July, Hiab and SAWO, Hiab's importer in Denmark, secured an order for 133 hooklifts and 22 loader cranes from the truck manufacturer MAN. SAWO installs the equipment on trucks for the Danish Army. Deliveries started in 2007 and will continue in 2008.

During the second quarter, Hiab signed a contract on the delivery of 22 heavy loader cranes to China Railway Construction Corporation. The cranes were delivered to a railroad under construction between Wuhan and Guangzhou in China. In addition, 48 smaller loader cranes were delivered for the same customer.

During the year, Hiab secured orders for 100 demountable systems from Pakistan, and an order for 45 forestry cranes for vehicles that will be delivered to Russia.

Kalmar

Of all orders received in January–December, Kalmar accounted for EUR 1,429 (1–12/2006: 1,282) million. Orders received in October–December totalled EUR 346 (10–12/2006: 327) million.

In December, Kalmar received an order for more than 200 terminal tractors from PSA Singapore Terminals. These terminal tractors will be delivered in 2008 and they will be assembled in the Shanghai assembly unit in China.

The fourth quarter also saw Kalmar secure an order for two ship-to-shore cranes (STS) from MSC Home Terminals. These super post-Panamax cranes will be delivered in 2008. Kalmar also received an additional order for nine automatic stacking cranes (ASC) from Hamburger Hafen und Logistik AG (HHLA) for the second phase of the HHLA Container Terminal Burchardkai. Delivery of the ASCs, along with their automation and control systems, will commence in 2008.

In August, Kalmar received an order for ten E-One RTGs from Saigon Newport (SNP) of Vietnam. The environmentally friendly E-One RTGs will be equipped with the Smartpath® container position verification system developed by Kalmar and delivered during the autumn of 2008. This order is a continuation of an order placed by SNP in May for ten E-One RTGs. In August, Kalmar also received an order for 30 straddle carriers from the Italian company, Medcenter Container Terminal SpA (MCT). These straddle carriers will be delivered in 2007–2008 to MCT's terminal in Gioia Tauro in Southern Italy.

Kalmar launched the E-One+ RTG crane in the summer and received an order for two such cranes from Peru in August while Gemport, a Turkish company, ordered five such cranes in October. All of these RTGs will be fitted with the Smartrail® automatic steering and container position verification system. The equipment ordered by Gemport will be also equipped with Kalmar's Remote Machine Interface (RMI).

In June, Kalmar received an order for ten straddle carriers from MSC Bremerhaven of Germany and an order for 15 straddle carriers from Patrick Corporation of Australia. The equipment will be delivered in 2007–2008. In June, Kalmar also agreed on the delivery of 11 E-One RTGs to the port of Tangier Mediterranean in Morocco. The RTGs will be fitted with twin-lift spreaders and the Smartrail® system.

During the first quarter, Kalmar signed a contract regarding the delivery of 84 terminal tractors to the Jebel Ali port near the city of Dubai. In January, Kalmar received an order for 12 E-One RTGs from Brazil. The RTGs, fitted with the Smartrail® system, were delivered to the port of Santos at the turn of 2007/2008.

MacGREGOR

Of all orders received in January–December, MacGREGOR accounted for EUR 1,696 (1–12/2006: 684) million. Orders received in October–December totalled a record high level of EUR 616 (10–12/2006: 149) million.

During the fourth quarter, MacGREGOR secured major offshore equipment orders, including the order for 18 Hydramarine cranes to various ship owners Europe and India received in December. All of the cranes will be equipped with the Active Heave Compensation (AHC) system. The offshore equipment will be delivered between 2008 and 2011.

The number of orders for ship cranes was also extremely high in the fourth quarter. In December, MacGREGOR received orders for a total of 390 ship cranes that will be delivered for 101 vessels, mainly for bulk carriers, to be built in Chinese and Korean ship yards. In October and November, the company received orders for 179 ship cranes, also from Chinese and Korean shipyards. The equipment will be delivered during 2009–2011.

In November, MacGREGOR received significant hatch cover orders from Korea. This equipment will be delivered during 2008–2010 for container vessels ordered by different ship owners from China, Greece, France and Germany.

In November, MacGREGOR signed a contract on the conversion of car decks in six RoRo vessels. The vessels, which will be delivered for Finnish shipowner Finnlines, will be built in Jinling shipyard in China. After the vessels have been built, MacGREGOR will equip them with electric car decks and access ramps.

In October MacGREGOR received an order to supply ten general cargo vessels with complex twin hatch covers. The vessels will be built in China.

Third quarter order intake was extremely lively for MacGREGOR ship cranes. The Shanghai, Yangzijiang and Wenchong shipyards in China ordered a total of 168 ship cranes that will be delivered during 2008–2012. Furthermore, the company will deliver 40 ship cranes and hatch covers for ten general cargo ships ordered by the German shipowner Herman Buss from a Chinese shipyard during 2009–2010.

In September, MacGREGOR secured a RoRo equipment order from the Korean shipyard, Hyundai Mipo. This equipment, which includes different kinds of ramps, hoistable cardecks and doors, will be delivered during 2009–2011.

In August and September, MacGREGOR received significant offshore equipment orders from China, Europe, the USA, Canada, Malaysia and India. The equipment, which includes, for instance, mooring winches, knuckle boom offshore cranes and deck machinery equipment, will be delivered during 2008–2010.

In June, MacGREGOR received an order for hatch covers and 16 ship cranes from the Chinese shipyard, COSCO Dalian. The equipment will be delivered in 2008–2009. In May, MacGREGOR received an order for four ship board twin cranes from the Polish-Chinese shipowner, Chipolbrok. These units, the largest of their kind in the world, will be delivered in 2008.

In June, MacGREGOR signed a contract on the delivery of RoRo equipment for 15 vessels under construction in Korea. The equipment will be delivered in 2008–2010. In March, the RoRo division also secured contracts from several shipyards in Germany, Japan and Croatia.

Demand for MacGREGOR's ship cranes was also lively during the first half of the year. The company won significant orders from China, Korea, Poland, Romania, Croatia, India and Taiwan. The equipment will be delivered in 2007–2011.

In 2007, MacGREGOR received several orders for bulk handling systems designed for the handling of cement and industrial minerals from, for instance, Singapore, Malaysia, China and Qatar.

Cargotec Services

Cargotec strengthened its services operations during the reporting period with a new Cargotec Services operating model. The aim is to speed up services growth by focusing resources and service know-how more effectively between Cargotec's business areas. The majority of the services business within Hiab, Kalmar and MacGREGOR will organisationally continue as earlier. Cargotec Services acts as an internal centre of expertise where cooperation in service concept development, spare parts sales and the training of service people will be strengthened by a matrix organisation. A special focus on the operating model will be introduced in the total maintenance of container and bulk terminals as well as significant refurbishment and conversion projects. Harald de Graaf, a member of Cargotec's Executive Board, is President of Cargotec Services.

In the third quarter, the Norwegian company Fred Olsen Marine Services contracted MacGREGOR to modernise the remote controlled valve system of the world's largest tanker and to provide crew training in its operation. In the second quarter, MacGREGOR signed a three-year maintenance agreement with the Italian company, Grimaldi Group. The agreement covers the maintenance of MacGREGOR RoRo equipment on board 26 of Grimaldi's vessels. Also during 2007 MacGREGOR signed a contract in the Asian offshore service market for the maintenance of a liquid cargo handling control system, with the Malaysian operator Bumi Armada.

Kalmar signed a five-year maintenance contract during fourth quarter with South African Transnet Port Terminals covering the maintenance of 18 Kalmar RTGs and two reachstackers. In addition, the contract covers the maintenance of other suppliers' equipment, including terminal tractors, trailers and empty container handlers.

During autumn Kalmar started a five-year total equipment and infrastructure maintenance contract in a consortium with Stork Industrial Services at Euromax Terminal, Rotterdam, a state-of-the-art highly automated container terminal under construction for Europe Container Terminals (ECT), a member of the HPH Group.

During the first quarter of 2007, Kalmar signed long-term agreements covering the rental, servicing and customer financing of its equipment in Sweden with Setra Group and Wallhamn AB. Kalmar rents, maintains and finances 31 forklift trucks that were delivered to 12 of Setra's sawmills in the spring of 2007. The agreement with Wallhamn AB consists of the lease of several units of Kalmar container handling equipment as well as the maintenance of Kalmar and other suppliers' equipment.

Order Book

Cargotec's order book totalled EUR 2,865 (December 31, 2006: 1,621) million on December 31, 2007. Of the order book total, Hiab accounted for EUR 260 (215) million, Kalmar EUR 660 (593) million, and MacGREGOR EUR 1,946 (813) million. A considerable part of MacGREGOR's record-high order book total is for delivery in 2008–2012.

Order book, MEUR	31.12.2007	31.12.2006
Hiab	260	215
Kalmar	660	593
MacGREGOR	1,946	813
Internal order book	-1	0
Total	2,865	1,621

Sales

Cargotec's sales grew in January–December by 16 percent and totalled EUR 3,018 (1–12/2006: 2,597) million. The sales impact of acquisitions completed during 2007 was EUR 197 million.

Cargotec's sales for October–December 2007 amounted to EUR 868 (10–12/2006: 697) million. Hiab's sales in the fourth quarter amounted to EUR 244 (10–12/2006: 239) million, Kalmar's sales were EUR 364 (321) million and MacGREGOR's sales EUR 261 (138) million.

Sales, MEUR	1-12/2007	1-12/2006
Hiab	931	914
Kalmar	1,343	1,203
MacGREGOR	748	482
Internal sales	-4	-2
Total	3,018	2,597

Sales for services increased by 32 percent year-on-year and amounted to EUR 757 (1–12/2006: 572) million, or 25 (22) percent of total sales. Services accounted for 17 (1–12/2006: 15) percent of sales at Hiab, 30 (26) percent at Kalmar, and 25 (27) percent at MacGREGOR in January–December 2007.

Financial Result

In the analysis of Cargotec's operating profit for 2007 it should be noted that there are items affecting comparison. These items are the EUR 18.0 million in Kalmar business area related to a container spreader inspection and repair programme during the fourth quarter, the EUR 3.3 million closure cost of a Hiab factory in the Netherlands, and the EUR 9.9 (1–12/2006: 3.3) million cost impact from the purchase price allocation treatment of acquisitions. When analysing the operating profit before the beforementioned three items the January-December operating profit was EUR 234.4 (1–12/2006: 225.9) million.

Cargotec's operating profit for January–December 2007 excluding the one-off cost of EUR 18.0 million in Kalmar business area related to a container spreader inspection and repair programme was EUR 221.1 (1–12/2006: 222.6) million, representing 7.3 (8.6) percent of sales. The related operating profit for the fourth quarter was EUR 64.3 (10–12/2006: 57.8) million, equal to 7.4 (8.3) percent of sales. Hiab accounted for EUR 19.1 (22.7) million of fourth quarter operating profit, Kalmar for EUR 26.9 (28.3) million, and MacGREGOR for EUR 22.3 (9.7) million.

Operating profit for 2007 was EUR 203.1 (1–12/2006: 240.4) million. The comparison period 2006 includes a capital gain of EUR 17.8 million from the divestment of property. Operating profit for the fourth quarter 2007, including EUR 5.3 (10-12/2006: 1.5) million cost impact from the purchase price allocation treatment of acquisitions, totalled EUR 46.3 (10–12/2006: 57.7) million.

Net income for the period was EUR 138.4 (1–12/2006: 166.1) million and earnings per share were EUR 2.17 (2.57).

Balance Sheet, Financing and Cash Flow

On December 31, 2007, Cargotec's net working capital amounted to EUR 253 (December 31, 2006: 220) million. Tangible assets on the balance sheet were EUR 254 (218) million and intangible assets EUR 751 (581) million.

Cash flow from operating activities before financial items and taxes for January–December 2007 totalled EUR 235.1 (1–12/2006: 249.8) million. In October–December cash flow strengthened to EUR 96.3 (10–12/2006: 71.0) million.

Net debt on December 31, 2007 was EUR 304 (December 31, 2006: 107) million. Total equity/total assets ratio was 38.3 (47.6) percent while gearing was 33.9 (12.3) percent. The purchase of own shares during the second half, for close to EUR 47 million, raised gearing.

Return on equity for January–December 2007 was 15.6 (1–12/2006: 20.2) percent and return on capital employed was 16.8 (23.1) percent.

Cargotec had EUR 585 million of committed credit facilities on December 31, 2007. These facilities were unused. The EUR 225 million (USD 300 million) Private Placement placed in December 2006 with U.S. institutional investors was funded in February 2007. Some 14 U.S. institutional investors participated in the transaction. The placement has been hedged through Cross Currency and Interest Rate Swaps into a fixed interest rate euro loan. Its interest rate varies between 4.525 and 4.756 percent, depending on the maturity, which varies between 7 and 12 years.

New Products and Product Development

In January–December 2007, Cargotec's research and product development expenditure was EUR 46.4 (1–12/2006: 31.3) million, representing 1.5 (1.2) percent of sales. During the year special focus in R&D was placed on environmental friendliness and utilisation of automation in equipment.

During the year, Hiab launched two new loader cranes. The HIAB XS 211 loader crane complements the mid-sized loader crane range. The HIAB XS 1055 launched in Q3 is the largest Hiab loader crane by capacity, which provides users with the longest reach and highest lifting capacity delivered by any HIAB crane on the marketplace today. The most powerful of Hiab's hooklifts, the XR30, was launched in the fourth quarter and was very well received by the market. Other product launches included the XR 26 hooklift system, designed in particular for the needs of the waste management and recycling industry. Hiab continued development work on its truck-mounted forklifts by introducing the MOFFETT M4 model, attracting orders from short-range local transports and the gas industry in particular. During the first quarter, Hiab launched a folding type tail lift model for the UK and French markets that requires less loading space.

Kalmar continued to develop its automated solutions and environmentally friendly equipment in 2007. Further development of container position verification, and the control and monitoring systems of automated stacking cranes continued. These systems are being applied in, for instance, the automation project of the HHLA Burchardkai container terminal in Hamburg. The first terminal tractors featuring a remote control system (Remote Machine Interface, RMI) developed by Kalmar were sold during the first quarter. This system has been previously used in other Kalmar container handling equipment. Product development work on hybrid solutions continued through two-year terminal tractor R&D project which is a joint effort by Kalmar, the ports of New York and New Jersey and the U.S. Environmental Protection Agency. The new generation terminal tractors with CAN-BUS monitoring system that speeds up their operation was launched to the market during autumn. In the second quarter, Kalmar introduced the remodelled E-One+ RTG crane which, similarly to its predecessor, is fully electrically operated and does not have any hydraulics. The new version brings improvements to the maintenance, operating safety and assembly of the unit. At the end of 2007, Kalmar launched a new automated product, Smartspot, designed to optimise container handling between terminal tractors and ship-to-shore cranes or RTG cranes. Also at the year end, Kalmar introduced a new spreader model designed specifically for the U.S. and Canadian markets. In November, the company rolled out a new F generation model for empty container handling, enabling more rapid and efficient container hoisting. The new model also features improved environmental efficiency.

MacGREGOR continued to develop electronically operated cargo handling solutions, including ship cranes, ramps, car decks and hatch covers. In the third quarter, the company introduced a new lift-away, multi-panel hatch cover model enabling the user to lift five hatch covers at a time. The first electronically controlled ship crane began operating during the second quarter. Furthermore, the company presented fully automated container fittings that will be subjected to field tests, and continued to develop a new generation monitoring system for ship cranes. MacGREGOR delivered the first electric E-Roll hatch covers for the first of altogether 12 vessels ordered by a Japanese shipyard. These environmentally friendly, side-rolling hatch covers are first raised from the ship deck using electrically powered cylinders, after which they are opened by a geared electrical motor. The Japanese Kawasaki shipyard ordered hatch covers of this type for three of its vessels. In 2007, MacGREGOR also introduced a new bulk cargo storage and handling system enabling vessels to take up to 50 percent more cargo. In addition, a new Hydramarine crane was launched with a lifting capacity of 400 ton and active heave compensation.

Capital Expenditure

Cargotec's capital expenditure for January–December 2007, excluding acquisitions and customer financing, totalled EUR 53.2 (1–12/2006: 46.6) million. Customer financing investments were EUR 37.5 (22.2) million.

In the second quarter, Hiab decided to centralise its European truck-mounted forklift production to the Dundalk production unit in Ireland. The Oude Leije production unit in the Netherlands was converted into a technical centre serving European customers. In the first quarter, a new assembly unit was opened in Raisio, Finland, enabling the simultaneous assembly of up to 12 truck superstructures. The purpose of this investment is to cut delivery times and increase the unit's efficiency.

In 2007, Hiab decided to combine its loader crane and forestry crane product lines. The new Crane product line began operating on January 1, 2008. This organisational change will strengthen the use of shared resources in crane product development, manufacturing and marketing. The Crane product line comprises the manufacture of loader cranes, forestry cranes and recycling cranes in five production units in Europe and Asia. As of the beginning of 2008, Hiab also combined its forestry crane sales operations in Finland into Hiab Oy's Finnish sales. This change is part of the integration of Hiab's sales companies, which began in Germany and Sweden in January 2007.

In the United States and Ireland, Hiab adapted the operations of its load handling equipment production units to the weaker market demand in the United States. Hiab also invested in a new paintshop in its Korean assembly unit.

In May, Kalmar opened a new automation development centre in Tampere, Finland. The centre tests smart solutions developed by Kalmar before the equipment is delivered to the customer. Furthermore, the centre provides training for machine operators on Kalmar's remote monitoring systems. In 2007, the company also extended its reachstacker assembly facilities in Lidhult, Sweden and the production facilities for rough terrain container handlers in Texas, the United States.

In 2007, MacGREGOR invested in a new offshore equipment production unit in Tianjin, China. In the fourth quarter, the company initiated the extension of a production unit in Singapore that delivers offshore cranes to the Asian markets. With respect to ship cranes, MacGREGOR continued to seek new cooperation partners to meet the ongoing major increase in order book more efficiently. Furthermore, the number of partners in hatch covers, RoRo and ship cranes production was increased.

Acquisitions

Cargotec completed 14 acquisitions in 2007. In February, a contract was signed to acquire 95 percent of the Indian company, Indital Construction Machinery Ltd. The acquisition was finalised in April and gives Cargotec a manufacturing presence in India while supporting the sales activities of Cargotec's business areas in the region. Cargotec ownership was raised to 100 percent in December.

As part of strengthening Cargotec's presence in India, the remaining shares (49 percent) in Kalmar India Pvt. Ltd were bought in September 2007.

In December, Cargotec signed a contract on the acquisition of a 30 percent minority holding in Mareiport and Prosa, the leading port service providers in Spain's most important ports.

In December 2006, Cargotec agreed to acquire the Italian company, CVS Ferrari. In August 2007, the German competition authority announced that it will not allow the acquisition on the basis of it being anticompetitive. Cargotec has appealed against this decision.

Hiab's Acquisitions

In July, Hiab signed an agreement to acquire a service company in Florida, U.S.A. Bay Equipment Repairs Inc. is a long-term service partner of Hiab, and most of its customers are Hiab customers. Bay Equipment Repairs had sales of approximately EUR 1 million in 2006 and the company employs 13 persons.

In May, Hiab signed a contract to acquire the Estonian company, Balti ES, which manufactures steel structures and components. Balti ES employs approximately 600 people and posted sales of approximately EUR 14 million in 2006. Finalised in June, the acquisition supports both Hiab's and Kalmar's increasing demand for components.

In January, Hiab signed an agreement of intent to acquire the sales, service and installation units of its distributor, Berger, in the Czech Republic, Slovakia, Hungary and Croatia. The acquisition was finalised in May. The annual sales of the acquired operations are approximately EUR 16 million, and the units employ approximately 75 people.

In January, a contract was signed to acquire a majority holding in BG Crane Pty. Ltd., the Australian importer of Hiab equipment, previously an associated company. The deal was finalised in February. The company employs approximately 100 people and had sales of approximately EUR 20 million in 2006.

Kalmar's Acquisitions

In August, Kalmar made an agreement to acquire Advanced Cargo Transshipment B.V. (ACT), an automation and software producer based in the Netherlands. The acquisition will increase Kalmar's resources in automated port terminal R&D. ACT specialises in developing and marketing equipment navigation control and terminal operation control hardware and software.

In April, Kalmar signed a contract to acquire the remaining minority share in Kalmar Asia Pacific Ltd. Kalmar now fully owns the company.

In February, Kalmar acquired the U.S. based service company, Port Equipment Service, Inc. (PES). PES employs 56 people and had sales of approximately EUR 4 million in 2006. This acquisition strengthened Kalmar's service business, particularly in ports and railroad terminals on the U.S. East Coast.

In January, Kalmar acquired the Slovenian service company, Tagros d.o.o. Tagros services container handling equipment and forklifts. This acquisition enables Kalmar to build up its service and sales activities in Slovenia and the Northern Balkan Peninsula. Tagros employs approximately 35 people and had sales of approximately EUR 2 million in 2006.

In January, Kalmar also agreed to acquire Truck och Maskin i Örnsköldsvik AB in Northern Sweden. The acquisition was finalised in February and has strengthened Kalmar's sales and service network for industrial customers in the wood handling segment. Truck och Maskin employs approximately 100 people and had sales of approximately EUR 14 million in the accounting period that ended on April 30, 2006.

In December 2006, a contract was signed to acquire Kalmar's Spanish distributor, Kalmar España SA. The acquisition was finalised in April.

MacGREGOR's Acquisitions

During the first half of the year, MacGREGOR expanded its operations into the offshore vessel segment. In March, MacGREGOR agreed to acquire Norwegian Hydramarine AS and Singaporean Plimsoll Corporation Pte Ltd. The acquisitions were finalised in April. Hydramarine specialises in the development of sub sea load handling equipment such as cranes. In 2006, Hydramarine had sales of EUR 63 million and employed 150 people. Plimsoll Corporation Pte Ltd is the leading company in producing hydraulic deck machinery equipment for offshore oil and gas and marine industry in the Asia Pacific region. In 2006, Plimsoll's sales totalled approximately EUR 43 million and the company employed approximately 600 people. MacGREGOR acquired 90 percent of both Hydramarine and Plimsoll with the remaining shares being owned by the employees.

In June, MacGREGOR established a new division, MacGREGOR Offshore. The division consists of Hydramarine and Plimsoll and concentrates on achieving synergy benefits between the acquired companies and expanding the business. The new division employs close to 900 people.

In May, a contract was signed to acquire Vestnorsk Hydraulikkservice AS (VNH) of Norway. VNH specialises in the maintenance of hydraulic systems and turnkey deliveries of offshore solutions for offshore support vessels and other types of ships. VNH's sales amount to approximately EUR 5 million. The company employs 21 people. The acquisition was finalised in June.

Employees

In 2007, the average number of employees at Cargotec was 10,276 (2006: 8,026) people. At the end of the reporting period, Cargotec employed 11,187 (December 31, 2006: 8,516) people. Hiab employed 4,418 (3,647) people, Kalmar 4,459 (3,705) and MacGREGOR 2,223 (1,117). Of Cargotec's total employees, 14 percent were located in Finland, 22 percent in Sweden and 30 percent in the rest of Europe. North and South American personnel represented 11 percent, Asia Pacific 22 percent and the rest of the world 1 percent of total employees. 15 percent of the personnel were female and 85 percent male. 3 percent of Cargotec's total employees worked part time and 97 percent full time.

During the financial period, salaries and remunerations to employees totalled EUR 356 (1–12/2006: 300) million.

Acquisitions concluded by Cargotec in 2007 significantly increased the number of personnel in Europe and Asia, in addition to which new personnel were recruited for various operations in Asia Pacific and Europe. In the United States, the operations of the load handling equipment production units were restructured and, consequently, the number of personnel decreased in line with weaker market demand.

In 2007, Cargotec's HR management adopted a new, shared reporting practice providing more extensive information on employees to support its decision-making on a global level. Furthermore, Cargotec's people strategy action plan focused on the planning and implementation of a human resources development and training structure as well as the development of uniform processes and tools supporting the activities of the firm's HR management. Other focus areas included recruiting and competence management.

Environment

Cargotec's environmental policy defines the Company's environmental principles. The main environmental effects of Cargotec's operations are related to the use of its products. Compared to these, the environmental effects of Cargotec's own factories are insignificant, relating mainly to energy and material use, recycling and waste. For this reason, environmental life cycle assessments are increasingly focused on product development and service operations.

The recyclability of most of Cargotec's products is high, due to their substantial steel content. Other product benefits include a long useful life and good serviceability. Careful and regular servicing of equipment reduces its environmental effects and extends its useful life. Improving the energy efficiency of products forms an important part of product development.

The certified ISO 9001 and ISO 14001 quality and environmental management systems form the basis of Cargotec's environmental management. The Company's regular external audits and management audits are aimed at monitoring the achievement of the related objectives.

Cargotec seeks to create certified environmental management systems for all of its production sites. Eight of Hiab's 16 production units and two of its sales companies apply environmental management systems certified under ISO 14001. These systems cover over two thirds of the sales of Hiab's production units. Five of Kalmar's seven production units apply certified environmental management systems, these systems covering over half of the sales of Kalmar's production units. Furthermore, two of Hiab's production units and two of Kalmar's production units are planning to certify their environmental management systems during 2008. MacGREGOR commissions most of its products from selected partners independently responsible for their production processes. Operational guidelines related to the management of environmental issues are included in the quality systems of most of MacGREGOR units.

The handling of environmental risks and responsibilities forms part of continuous company processes. In the context of corporate acquisitions and divestments, Cargotec analyses environmental issues as part of the due diligence process and manages any identified responsibilities according to standardised practices. An environmental assessment was performed in connection with all acquisitions completed in 2007. Furthermore, a programme has been drawn up for carrying out an environmental assessment at all of Cargotec's current production sites.

Risks and Risk Management

Cargotec's President and CEO and the Executive Board are responsible for the Company's risk management activities and their implementation and control, and report to the Board of Directors. The Company has an internal auditing function which is responsible for internal control and business risk auditing. The internal auditing reports to the Board's Audit Committee. It is the task of the corporate

Treasury function to manage financial risks centrally, while business areas and units are responsible for managing the risks involved in their own operations. Matters related to risk management are systematically evaluated during the various business units' quality and environmental system audits and management reviews, and as part of corporate restructuring.

Risk is defined as any internal or external threat or uncertainty that may prevent or restrict it from carrying out its operations and achieving its goals. Risks are classified into strategic and business risks, financial risks, and operational risks and hazard risks.

Cargotec has launched a project aimed at developing its internal controls. The purpose of this project is to create a system enabling the management to evaluate whether the Company's activities are efficient and in line with targets, whether its reporting is reliable and whether it operates in accordance with the legislation, rules and regulations in force. The system will be established in line with the generally accepted COSO framework (Committee of Sponsoring Organizations of the Treadway Commission). After the current status of internal controls has been analysed, the various functions will draw up plans regarding the development of the measures required. The Audit Committee will monitor the progress of the development projects.

Strategic and business risks are related to business cycles in the global economy and Cargotec's customer industries, the availability and price development of raw materials and components, acquisitions, and dealers' and subcontractors' activities.

Cargotec's treasury operations and financial risk management principles are defined in the Treasury Policy. The Company's financial risks are centrally managed and administered by Cargotec Treasury, which draws up financial risk reports for the management on a regular basis. Financial risks arising from Cargotec's business activities include currency, interest rate, refinancing and liquidity, counterparty and operative credit risks. The Company seeks to protect itself against these risks in order to ensure a financially sound basis for developing its business operations.

Operational risks and hazard risks relate to persons, property, processes, products and information technology. The materialisation of such risks may lead to bodily injuries, property damage, business interruption or product liability claims. Cargotec's main activities related to the management of these risks are related first and foremost to increasing product safety and information security and assuring business continuity. With respect to key person risks, succession plans for leadership and key assignments are updated on an annual basis.

Responsibility for the management of key operational risks and hazard risks lies with the Company's risk management function and business area and unit management, in particular. Cargotec's main hazard risks include risks related to property, business interruption, general and product liability and logistics. In addition to preventive risk management measures, the Company protects itself against these risks by taking out insurance policies that cover all units.

Shares and Share Capital

Cargotec's class B shares are quoted on the OMX Nordic Exchange Helsinki. Cargotec's share capital on December 31, 2007 was EUR 64,220,373 (December 31, 2006: 64,046,460). The share capital increased by EUR 173,913 during the report period as a result of the subscription for class B shares under Cargotec option rights.

On December 31, 2007, Cargotec's share capital comprised 54,694,284 (December 31, 2006: 54,520,371) class B shares listed on the OMX Nordic Exchange Helsinki and 9,526,089 (9,526,089) unlisted class A shares. Class B shares accounted for 85.2 (85.1) percent of the total number of shares and 36.5 (36.4) percent of votes. Class A shares accounted for 14.8 (14.9) percent of the total number of shares and 63.5 (63.6) percent of votes. The total number of votes attached to all shares was 14,994,620 (14,977,375) at the year end.

Market Capitalisation and Trading

The closing price for Cargotec's class B shares on December 31, 2007 was EUR 31.65. The average share price for the financial period was EUR 40.55, the highest quotation being EUR 49.83 and the lowest EUR 29.78. The market value of Cargotec's class B share decreased by 27 percent during the financial period.

On December 31, 2007, the total market value of the Company's class B shares was EUR 1,671 million, excluding treasury shares held by the Company. The Company's year-end market capitalisation, in which the unlisted class A shares are valued at the average closing price of class B shares on the last trading day of the financial period, was EUR 1,971 million, excluding treasury shares held by the Company. At the year end, the Company held a total of 1,904,725 class B shares, which corresponds to 3.0 percent of the total number of shares.

During the financial period, approximately 70.9 million Cargotec class B shares were traded on the OMX Nordic

Exchange in Helsinki, corresponding to a turnover of approximately EUR 2,880 million. The average daily trading volume was 283,780 shares or EUR 11,518,825 while the relative turnover for the period was 130.0 percent.

Shares Subscribed for under the Option Rights

At the beginning of the financial period, the number of series A and series B option rights were 37,895 and 82,955, respectively. 173,913 class B shares were subscribed for during the period, increasing the share capital by EUR 173,913.

The remaining Cargotec 2005A and 2005B option rights entitle the holder to the subscription of a total of 188,637 class B shares in Cargotec and an increase of EUR 188,637 in the share capital. The said number of shares that can be subscribed for under the remaining option rights constitutes 0.3 percent of Cargotec's total number of shares and 0.13 percent of the total number of votes. With respect to the series A option rights, the subscription period ends on March 31, 2008. The Company has not issued other option rights or convertible bonds.

Cargotec's Financial Targets and Incentive Programme for Key Managers

In January 2007, Cargotec published its new financial targets and a share-based incentive programme for the key managers for the years 2007–2011. The purpose of the programme encouraging share ownership is to align the interests of key managers to Cargotec's strategy and financial targets as well as contribute to making them long-term shareholders of the Company. The incentive programme covers some 60 individuals. The programme offers key managers a possibility to earn a reward in Cargotec class B shares based on accomplishment of set targets.

Cargotec's financial targets are the following: annual sales growth exceeding 10 percent (incl. acquisitions), raising the operating profit margin to 10 percent, and maintaining the gearing below 50 percent. The targets have been set for the years 2007–2011.

The incentive programme consists of four earnings periods, of which the first is two years and the following three periods one year each. The Board of Directors decides on the target group of the earnings period and their maximum reward at the beginning of each earnings period.

Potential rewards from the incentive programme during 2007–2011 are based on achievement of five-year sales and operating profit targets as defined in Cargotec's strategy.

The rewards will be paid during 2009–2012 in both class B shares and cash. The cash portion is dedicated to cover possible taxes and tax-related payments resulting from the reward. The shares distributed as reward will contain a prohibition to hand over or sell the shares within one year of the end of an earnings period with the exception of the final earnings period when no prohibitions are included. The maximum amount to be paid out as shares is 387,500 class B shares currently held by the Company as treasury shares.

Changes in Cargotec's Executive Board

Pekka Vauramo, M.Sc. (Eng.) was appointed Kalmar's President as of October 1, 2007. Vauramo started at Cargotec on September 1, 2007. Kalmar's previous President, Christer Granskog, retired at the end of 2007 in accordance with his service contract.

Decisions Taken at Cargotec Corporation's Annual General Meeting

Cargotec Corporation's Annual General Meeting was held on February 26, 2007 in Helsinki. The meeting approved the financial statements and consolidated financial statements. The meeting granted discharge from liability to the President and CEO and the members of the Board of Directors for the accounting period January 1–December 31, 2006.

The Annual General Meeting approved the Board's proposal of a dividend of EUR 0.99 for each of the 9,526,089 class A shares and EUR 1.00 for the 53,815,646 outstanding class B shares. The meeting also approved the remuneration of the Board members as well as that of the auditors.

The number of members of the Board of Directors was confirmed at six according to the proposal of Cargotec's Nomination and Compensation Committee. Carl-Gustaf Bergström, Henrik Ehrnrooth, Tapio Hakakari, Ilkka Herlin, Peter Immonen and Karri Kaitue were re-elected as members of the Board of Directors.

Authorised public accountants Johan Kronberg and PricewaterhouseCoopers Oy were elected as auditors according to the proposal of the Audit Committee of Cargotec Corporation's Board of Directors.

Authorisations Granted by the Annual General Meeting

The Annual General Meeting authorised the Board of Directors of Cargotec to decide to repurchase the Company's own shares with assets distributable as profit. The shares may be repurchased in order to develop the capital structure of the Company, finance or carry out possible acquisitions, implement the Company's share-based incentive plans, or to be transferred for other purposes or to be cancelled.

Altogether no more than 6,400,000 own shares may be repurchased, of which no more than 952,000 are class A shares and 5,448,000 are class B shares. The above-mentioned amounts include the 704,725 class B shares at that time in the Company's possession. This authorisation remains in effect for a period of 18 months from the date of decision of the Annual General Meeting.

In addition, the Annual General Meeting authorised the Board of Directors to decide on the distribution of any shares repurchased. The Board of Directors is authorised to decide to whom and in which order the shares will be distributed. The Board of Directors may decide on the distribution of repurchased shares otherwise than in proportion to the existing pre-emptive right of shareholders to purchase the Company's own shares. The shares may be used as compensation in acquisitions and in other arrangements as well as to implement the Company's share-based incentive plans in the manner and to the extent decided by the Board of Directors. The Board of Directors has also the right to decide on the distribution of the shares in public trading at the Helsinki Stock Exchange to be used as compensation in possible acquisitions. This authorisation remains in effect for a period of 18 months from the date of decision of the Annual General Meeting.

Organisation of the Board of Directors

In its organising meeting Cargotec's Board of Directors elected Ilkka Herlin to continue as Chairman of the Board and Henrik Ehrnrooth to continue as Deputy Chairman. Cargotec's Senior Executive Vice President and CFO Kari Heinistö continues to act as secretary to the Board of Directors.

The Board of Directors re-elected among its members Ilkka Herlin, Peter Immonen and Karri Kaitue as members of the Audit Committee. Karri Kaitue was elected to continue as Chairman of the Audit Committee. Board members Carl-Gustaf Bergström, Tapio Hakakari, Ilkka Herlin and Peter Immonen were re-elected to the Nomination and Compensation Committee. Ilkka Herlin was elected to continue as chairman of the Nomination and Compensation Committee. Board members Tapio Hakakari, Ilkka Herlin and Peter Immonen were elected to the Working Committee. The Board elected Ilkka Herlin as chairman of the Working Committee.

Share Repurchases

Cargotec's Board of Directors decided to exercise the authorisation of the Annual General Meeting to repurchase the Company's own shares.

The maximum amount of repurchased own shares will be less than 10 percent of the Company's share capital and total voting rights.

Class B shares will be purchased at public trading in the Helsinki Stock Exchange at the market price. Class A shares will be purchased outside the Stock Exchange at the price equivalent to the average price of class B shares paid in the Helsinki Stock Exchange on the purchase date. Share repurchases will be published on the transaction days through stock exchange announcements.

In the second half of the year, a total of 1,200,000 own class B shares were repurchased. Altogether, Cargotec holds 1,904,725 class B shares in treasury.

Short-term Risks and Uncertainties

Cargotec's principal short-term risks and uncertainties are related to general economic development and the availability of components.

A major decline in construction activities in the United States has been reflected in the demand for Cargotec's load handling equipment. The generally higher uncertainty related to the global economic development makes estimating short-term future more difficult. A more general slackening of economic growth in the U.S. and its reflection in other parts of the world might decrease Cargotec's customers' willingness to invest.

Cargotec has outsourced a significant proportion of its component production and part of its assembly operations. Cargotec strives to anticipate its component needs so that subcontractors can flexibly meet demand. Due to generally high demand for many of the components used by Cargotec, their availability remains tight. Additionally, high demand for trucks in Europe may have an adverse impact on the delivery schedules of Hiab products during the first half of the year.

Cargotec has made a significant number of acquisitions during the past 12 months. Although these acquisitions are relatively small in size and geographically dispersed, integrations always involve a degree of uncertainty.

Board of Directors' Proposal on the Distribution of Profit

The parent company's distributable equity on December 31, 2007 is EUR 890,371,965.27 of which net income for the period is EUR 95,444,925.87. The Board of Directors will propose to the Annual General meeting convening on February 29, 2008, that of the distributable profit, a dividend of EUR 1.04 per each of the 9,526,089 class A shares and EUR 1.05 per each of 54,694,284 class B shares in circulation be paid, totalling EUR 65,336,169.51. The rest of the distributable equity, EUR 825,035,795.76, will be retained and carried forward.

No significant changes have occurred in the Company's financial position after the end of the financial year. The Company's liquidity is good and, in the Board of Directors' view, the proposed distribution of dividend does not pose a risk to the Company's financial standing.

Outlook

Investments in the strategic development of Cargotec will continue and growth in services is expected to remain strong. Based on the record high order book at the beginning of the year management estimates sales growth in 2008 to be at the year 2007 level. General market activity and Cargotec's orders received are expected to continue healthy although in MacGREGOR the achievement of the exceptionally high order intake level of 2007 is a stretch. Operating margin in 2008 is expected to improve from the 2007 level. The U.S. market continues weak without yet any signs of improvement.

Annual General Meeting

Cargotec Corporation's Annual General Meeting will be held at the Marina Congress Center in Helsinki on Friday, February 29, 2008 at 10 a.m.

Helsinki, January 31, 2008
Cargotec Corporation
Board of Directors

Cargotec Financial Statements Review January–December 2007

Consolidated Income Statement

MEUR	10-12/2007	10-12/2006	1-12/2007	1-12/2006
Sales	867.5	697.2	3,018.2	2,597.1
Cost of goods sold	-689.3	-549.7	-2,376.8	-2,042.7
Non-recurring items *	-18.0	-	-18.0	-
Gross profit	160.3	147.5	623.4	554.4
Gross profit, %	18.5 %	21.2 %	20.7 %	21.3 %
Gain on the sale of property	-	-0.1	-	17.8
Other operating income	6.7	7.8	26.8	22.7
Selling and marketing expenses	-54.3	-45.5	-197.4	-168.1
Research and development expenses	-10.4	-9.2	-38.9	-31.3
Administration expenses	-44.7	-37.6	-176.1	-136.6
Other operating expenses	-11.4	-5.3	-34.9	-19.4
Share of associated companies' and joint ventures' net income	0.1	0.1	0.3	0.9
Operating profit	46.3	57.7	203.1	240.4
Operating profit, %	5.3 %	8.3 %	6.7 %	9.3 %
Financing income	5.6	-0.9	16.7	3.6
Financing expenses	-12.2	-1.0	-35.5	-12.0
Income before taxes	39.7	55.8	184.4	232.0
Income before taxes, %	4.6 %	8.0 %	6.1 %	8.9 %
Taxes	-10.8	-16.5	-46.0	-65.9
Net income for the period	28.9	39.3	138.4	166.1
Net income for the period, %	3.3 %	5.6 %	4.6 %	6.4 %
Net income for the period attributable to:				
Equity holders of the Company	27.8	38.5	136.5	163.9
Minority interest	1.1	0.8	1.8	2.2
Total	28.9	39.3	138.4	166.1
Earnings per share for profit attributable to the equity holders of the Company:				
Basic earnings per share, EUR	0.45	0.61	2.17	2.57
Diluted earnings per share, EUR	0.44	0.60	2.16	2.56
Adjusted basic earnings per share, EUR	-	0.61 **	-	2.37 **

* Kalmar business area related container spreader inspection and repair programme

** Excluding gain on the sale of property after taxes

Consolidated Balance Sheet

MEUR	31.12.2007	31.12.2006
ASSETS		
Non-current assets		
Goodwill	670.2	513.3
Other intangible assets	81.0	67.2
Property, plant and equipment	253.7	217.6
Investments in associated companies and joint ventures	4.8	2.4
Available-for-sale investments	2.3	1.6
Loans receivable and other interest-bearing assets 1)	5.5	0.1
Deferred tax assets	55.5	50.7
Derivative assets	8.9	5.1
Other non-interest-bearing assets	12.0	2.8
Total non-current assets	1,094.0	860.8
Current assets		
Inventories	657.4	528.9
Loans receivable and other interest-bearing assets 1)	0.4	0.3
Income tax receivables	18.3	7.0
Derivative assets	50.8	22.5
Accounts receivable and other non-interest-bearing assets	582.8	444.2
Cash and cash equivalents 1)	179.0	124.3
Total current assets	1,488.7	1,127.2
Total assets	2,582.6	1,988.0

1) Included in interest-bearing net debt

MEUR	31.12.2007	31.12.2006
EQUITY AND LIABILITIES		
Equity attributable to the equity holders of the Company		
Share capital	64.2	64.0
Share premium account	97.4	96.0
Treasury shares	-70.0	-23.9
Translation differences	-29.6	-12.0
Fair value reserves	19.9	10.5
Retained earnings	808.7	734.2
Total equity attributable to the equity holders of the Company	890.6	868.8
Minority interest	6.1	8.0
Total equity	896.7	876.8
Non-current liabilities		
Loans 1)	433.3	195.0
Deferred tax liabilities	38.5	30.5
Pension obligations	35.2	36.2
Provisions	38.4	30.3
Derivative liabilities	14.9	3.1
Other non-interest-bearing liabilities	53.2	15.9
Total non-current liabilities	613.6	311.0
Current liabilities		
Current portion of long-term loans 1)	3.5	4.8
Other interest-bearing liabilities 1)	51.6	32.4
Provisions	70.8	42.6
Income tax payables	46.9	39.5
Derivative liabilities	17.6	15.7
Accounts payable and other non-interest-bearing liabilities	882.0	665.2
Total current liabilities	1,072.4	800.2
Total equity and liabilities	2,582.6	1,988.0

1) Included in interest-bearing net debt

Consolidated Statement of Changes in Equity

	Attributable to the equity holders of the Company								
MEUR	Share capital	Share premium account	Treasury shares	Translation differences	Fair value reserves	Retained earnings	Total	Minority interest	Total equity
Equity on 31.12.2005	63.9	95.1	-5.0	4.9	-10.3	611.4	760.0	7.2	767.2
Gain/loss on cash flow hedges booked to equity *					32.1		32.1	0.0	32.1
Gain/loss on cash flow hedges transferred to IS					-11.3		-11.3		-11.3
Translation differences				-16.9			-16.9	-0.8	-17.7
Net income recognised directly in equity	-	-	-	-16.9	20.8	-	3.9	-0.8	3.1
Net income for the period						163.9	163.9	2.2	166.1
Total recognised income and expenses for the period	-	-	-	-16.9	20.8	163.9	167.8	1.4	169.2
Dividends paid						-41.3	-41.3		-41.3
Shares subscribed with options	0.1	0.9					1.1		1.1
Acquisition of treasury shares			-18.9				-18.9		-18.9
Share-based incentives, value of received services						0.1	0.1		0.1
Other changes							-	-0.6	-0.6
Equity on 31.12.2006	64.0	96.0	-23.9	-12.0	10.5	734.2	868.8	8.0	876.8
Gain/loss on cash flow hedges booked to equity *					18.5		18.5	0.0	18.5
Gain/loss on cash flow hedges transferred to IS					-9.1		-9.1	0.0	-9.1
Translation differences				-17.6			-17.6	-0.7	-18.3
Net income recognised directly in equity	-	-	-	-17.6	9.4	-	-8.2	-0.7	-8.9
Net income for the period						136.5	136.5	1.8	138.4
Total recognised income and expenses for the period	-	-	-	-17.6	9.4	136.5	128.4	1.1	129.5
Dividends paid						-63.2	-63.2	-0.5	-63.7
Shares subscribed with options	0.2	1.3					1.5		1.5
Acquisition of treasury shares			-46.1				-46.1		-46.1
Share-based incentives, value of received services *						1.2	1.2		1.2
Other changes							-	-2.5	-2.5
Equity on 31.12.2007	64.2	97.4	-70.0	-29.6	19.9	808.7	890.6	6.1	896.7

* Net of tax

Consolidated Cash Flow Statement

MEUR	1-12/2007	1-12/2006
Net income for the period	138.4	166.1
Depreciation	59.8	40.5
Gain on sale of property	-	-17.8
Financing items and taxes	64.7	74.3
Change in receivables	-118.4	18.0
Change in payables	198.5	18.2
Change in inventories	-107.6	-48.9
Other adjustments	-0.4	-0.6
Cash flow from operations	235.1	249.8
Interest received	5.6	5.4
Interest paid	-12.0	-11.5
Dividends received	0.0	0.0
Other financial items	-12.5	-1.7
Income taxes paid	-43.6	-43.3
Cash flow from operating activities	172.6	198.7
Capital expenditure	-90.8	-69.3
Proceeds from sales of fixed assets	12.5	41.7
Acquisitions, net of cash	-172.5	-89.1
Proceeds from divested operations, net of cash	-	0.0
Cash flow from investing activities, other items	-13.5	0.9
Cash flow from investing activities	-264.3	-115.8
Proceeds from share subscriptions	1.5	1.1
Acquisition of treasury shares	-46.1	-18.9
Proceeds from long-term borrowings	274.5	0.1
Repayments of long-term borrowings	-29.5	-25.9
Proceeds from short-term borrowings	40.8	15.9
Repayments of short-term borrowings	-31.5	-7.6
Dividends paid	-63.8	-41.3
Cash flow from financing activities	145.9	-76.6
Change in cash	54.2	6.3
Cash, cash equivalents and bank overdrafts at the beginning of period	114.5	111.2
Effect of exchange rate changes	-1.1	-3.0
Cash, cash equivalents and bank overdrafts at the end of period	167.5	114.5
Bank overdrafts at the end of period	11.4	9.8
Cash and cash equivalents at the end of period	179.0	124.3

Key Figures

		1-12/2007	1-12/2006
Equity/share	EUR	14.29	13.72
Interest-bearing net debt	MEUR	303.6	107.5
Total equity/total assets	%	38.3	47.6
Gearing	%	33.9	12.3
Return on equity	%	15.6	20.2
Return on capital employed	%	16.8	23.1

Segment Reporting

Sales by geographical segment, MEUR	1-12/2007	1-12/2006
EMEA	1,677	1,368
Americas	647	720
Asia Pacific	695	509
Total	3,018	2,597

Sales by geographical segment, %	1-12/2007	1-12/2006
EMEA	55.6 %	52.7 %
Americas	21.4 %	27.7 %
Asia Pacific	23.0 %	19.6 %
Total	100.0 %	100.0 %

Sales, MEUR	1-12/2007	1-12/2006
Hiab	931	914
Kalmar	1,343	1,203
MacGREGOR	748	482
Internal sales	-4	-2
Total	3,018	2,597

Operating profit, MEUR	1-12/2007		1-12/2006
Hiab	73.8		86.6
Kalmar	105.5	*	111.8
MacGREGOR	59.4		36.1
Corporate administration and other	-17.5		-11.9
Operating profit from operations	221.1		222.6
Non-recurring items	-18.0		-
Gain on the sale of property	-		17.8
Total	203.1		240.4

* Excluding the one-off cost of EUR 18.0 million related to a container spreader inspection and repair programme

Operating profit, %	1-12/2007	1-12/2006
Hiab	7.9 %	9.5 %
Kalmar	7.9 % *	9.3 %
MacGREGOR	7.9 %	7.5 %
Cargotec, operating profit from operations	7.3 % *	8.6 % **
Cargotec	6.7 %	9.3 %

* Excluding the one-off cost of EUR 18.0 million related to a container spreader inspection and repair programme

** Excluding gain on the sale of property

Orders received, MEUR	1-12/2007	1-12/2006
Hiab	985	946
Kalmar	1,429	1,282
MacGREGOR	1,696	684
Internal orders received	-4	-2
Total	4,106	2,910

Order book, MEUR	31.12.2007	31.12.2006
Hiab	260	215
Kalmar	660	593
MacGREGOR	1,946	813
Internal order book	-1	0
Total	2,865	1,621

Capital expenditure, MEUR	1-12/2007	1-12/2006
In fixed assets (excluding acquisitions)	52.5	46.1
In leasing agreements	0.7	0.5
In customer financing	37.5	22.2
Total	90.7	68.8

Number of employees at the end of period	31.12.2007	31.12.2006
Hiab	4,418	3,647
Kalmar	4,459	3,705
MacGREGOR	2,223	1,117
Corporate administration	87	47
Total	11,187	8,516

Average number of employees	1-12/2007	1-12/2006
Hiab	4,091	3,571
Kalmar	4,233	3,415
MacGREGOR	1,880	994
Corporate administration	72	46
Total	10,276	8,026

Notes

Taxes in income statement

MEUR	1-12/2007	1-12/2006
Current year tax expense	56.2	66.7
Deferred tax expense	-3.9	-0.3
Tax expense for previous years	-6.3	-0.5
Total	46.0	65.9

Commitments

MEUR	31.12.2007	12/31/2006
Guarantees	2.2	0.5
Dealer financing	8.4	8.5
End customer financing	7.5	6.7
Operating leases	47.7	38.1
Off balance sheet investment commitments	1.2	-
Other contingent liabilities	3.7	3.9
Total	70.6	57.7

Cargotec leases property, plant and equipment under non-cancellable operating leases. The leases have varying terms and renewal rights. It is not anticipated that any material liabilities will arise from customer finance commitments.

The future minimum lease payments under non-cancellable operating leases

MEUR	31.12.2007	12/31/2006
Less than 1 year	14.1	11.9
1-5 years	27.4	22.2
Over 5 years	6.3	4.0
Total	47.7	38.1

The aggregate operating lease expenses totalled EUR 13.6 (1.1.-31.12.2006: 11.1) million.

Fair values of derivative financial instruments

MEUR	Positive fair value 31.12.2007	Negative fair value 31.12.2007	Net fair value 31.12.2007	Net fair value 31.12.2006
FX forward contracts, cash flow hedges	36.3	25.0	11.3	18.6
FX forward contracts, non-hedge accounted	23.3	2.6	20.7	-9.1
Interest rate swaps, non-hedge accounted	-	-	-	0.0
Cross currency and interest rate swaps, cash flow hedges	-	4.9	-4.9	-0.7
Total	59.7	32.6	27.1	8.8
Non-current portion:				
FX forward contracts, cash flow hedges	8.9	10.0	-1.1	2.7
Cross currency and interest rate swaps, cash flow hedges	-	4.9	-4.9	-0.7
Non-current portion	8.9	14.9	-6.0	2.0
Current portion	50.8	17.6	33.2	6.8

Cross currency and interest rate swaps are hedging the US Private Placement corporate bond, which was funded in February 2007.

Nominal values of derivative financial instruments

MEUR	31.12.2007	31.12.2006
FX forward contracts	2,610.0	1,752.7
Interest rate swaps	-	10.0
Cross currency and interest rate swaps	225.7	225.7
Total	2,835.7	1,988.4

Acquisitions 2007

In 2007 Cargotec made several acquisitions in line with its strategy. These acquisitions were individually immaterial.

In February, a contract was signed to acquire 95 percent of the Indian company, Indital Construction Machinery Ltd. The acquisition was finalised in April. Cargotec ownership was raised to 100 percent in December. In September Cargotec bought the remaining shares (49 percent) in Kalmar India Pvt. Ltd.

In January, Hiab signed a contract to acquire a majority holding of its Australian importer, BG Crane Pty. Ltd. The acquisition was finalised in February. In January, Hiab also signed an agreement of intent to acquire the sales, service and installation units of its distributor Berger in the Czech Republic, Slovakia, Hungary and Croatia. The acquisition was finalised in May. In May, Hiab signed a contract to acquire the Estonian company Balti ES. The acquisition was finalised in June. In July, Hiab signed an agreement to acquire Bay Equipment Repairs Inc., a service company based in Florida, U.S.A.

In January, Kalmar acquired Tagros d.o.o., a Slovenia-based service company. In January, Kalmar signed also an agreement to acquire Truck och Maskin i Örnsköldsvik AB, a Swedish company. The acquisition was finalised in February. In February, Kalmar acquired the assets and business of Port Equipment Service, Inc. (PES), a U.S. based service company. In April, Kalmar signed a contract to acquire the remaining minority share in Kalmar Asia Pacific Ltd. Kalmar now fully owns the company. In December 2006, a contract was signed to acquire Kalmar's Spanish distributor, Kalmar Espana S.A. The acquisition was finalised in April. In August, Kalmar made an agreement to acquire Advanced Cargo Transshipment B.V. (ACT), an automation and software producer based in the Netherlands.

In March, MacGREGOR agreed to acquire 90 percent of the Norwegian Hydramarine AS and Singaporean Plimsoll Corporation Pte Ltd. The acquisitions were finalised in April. The accounting of these two business combinations includes also the minority share with the redemption obligation. The debt-free acquisition price of these business combinations was approximately EUR 136 million and the goodwill recognised according to the calculations was EUR 123 million. In May, a contract was signed to acquire Vestnorsk Hydraulikkservice AS (VNH) of Norway. The acquisition was finalised in June.

Management estimates that the consolidated sales for January 1–December 31, 2007 would have been approximately EUR 3,057 million, if the acquisitions had occurred on January 1, 2007.

The table below summarises the acquisitions in January 1–December 31, 2007 excluding acquisitions of minority interests. The business combinations of Hydramarine AS, Indital Construction Machinery Ltd, Bay Equipment Repairs Inc. and Balti ES were accounted as preliminary as the determination of fair values to be assigned to the assets, liabilities and contingent liabilities were not yet finalised.

MEUR	Net fair values of identifiable assets and liabilities of the acquired businesses	Assets and liabilities immediately before the business combination
Other intangible assets	15.3	0.2
Property, plant and equipment	25.8	25.5
Inventories	54.0	53.0
Non-interest-bearing assets	43.3	43.3
Interest-bearing assets, cash and cash equivalents	6.7	6.7
Interest-bearing liabilities	-21.1	-21.1
Other non-interest-bearing liabilities	-92.9	-89.0
Acquired net assets	31.2	18.7
Transaction price	194.3	
Costs related to acquisitions	3.3	
Goodwill	166.4	
Transaction price paid in cash	155.4	
Costs related to acquisitions	3.3	
Cash and cash equivalents in acquired businesses	-3.0	
Total cash outflow from acquisitions	155.6	

A goodwill of EUR 10.2 million was recognised of the acquisition of the minority shares of Kalmar India Pvt. Ltd and Kalmar Asia Pacific Ltd. The cash outflow from these acquisitions was EUR 13.1 million.

The goodwill is attributable to the experienced and capable personnel employed by the businesses and to the synergies. Management estimates that synergies are gained from services' greater global presence, utilisation of economies of scale and integration of sourcing and sales network for new products. Synergies are also expected from the possibility to expand operations to new market areas and to utilise new product know-how and new technologies in developing current business.

Accounting Principles

The financial statements review has been prepared according to the International Accounting Standard 34: Interim Financial Reporting. The accounting policies adopted are consistent with those of the annual financial statements of 2007. All figures presented have been rounded and consequently the sum of individual figures may deviate from the presented sum figure.

Adoption of new or revised IFRS standards and interpretations starting in January 1, 2007

Starting from January 1, 2007 Cargotec has adopted the following new and amended standards and interpretations by the IASB published in 2006:

- IFRS 7, Financial Instruments: Disclosures
- IAS 1 Amendment, Capital Disclosures
- IFRIC 10, Interim Financial Reporting and Impairment
- IFRIC 11, IFRS 2 - Group and Treasury Share Transactions

The adoption of the new and revised standards and interpretations did not have a material effect on the consolidated financial statements except on the notes information.

Reclassification of income statement items

In annual financial statements of 2007 share of associated companies' and joint ventures' net income is presented above operating profit if they relate to Cargotec's business. The comparative figures of 2006 have been restated accordingly.

Share-based payments

The share-based incentive scheme for top management that was approved by the Board of Directors in July 2005 has ended in March 2007. The members of the scheme received 20,660 Cargotec 2005B-option rights and in cash 65,000 synthetic option rights. Fair value of a synthetic option was EUR 28.22 at payment day.

In January 2007, Cargotec published a new share-based incentive scheme for the Company's key managers for the years 2007–2011. The rewards will be paid during 2009–2012 in both class B shares and cash. The cash portion is dedicated to cover possible taxes and tax-related payments resulting from the total reward. Shares distributed as reward will contain a prohibition to hand over or sell the shares within one year of the end of an earnings period with the exception of the final earnings period when no prohibitions are included. The shares will be lost if the holder leaves the Company before the prohibition period ends.

At the end of December 2007, the earnings period 2007–2008 involves 66 persons. If they were to receive the maximum number of shares in accordance with the scheme, a total of 144,925 shares, their shareholding obtained via the programme would amount to 0.1 percent of the total voting rights of Company's class A and B shares. The incentive scheme is booked and valued according to the Share-based payments -accounting principle presented in the annual financial statements of 2006.

Calculation of Key Figures

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

Interest-bearing net debt = Interest-bearing debt – interest-bearing assets

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

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

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

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

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

Quarterly Figures

Cargotec		Q4/2007	Q3/2007	Q2/2007	Q1/2007	Q4/2006
Orders received	MEUR	1,214	1,028	949	915	716
Order book	MEUR	2,865	2,552	2,244	1,811	1,621
Sales	MEUR	868	713	743	694	697
Operating profit	MEUR	64.3 *	52.5	46.3	58.0	57.8
Operating profit	%	7.4 *	7.4	6.2	8.4	8.3
Basic earnings/share	EUR	0.45	0.55	0.55	0.62	0.61

Hiab		Q4/2007	Q3/2007	Q2/2007	Q1/2007	Q4/2006
Orders received	MEUR	254	223	244	264	241
Order book	MEUR	260	255	238	237	215
Sales	MEUR	244	202	245	240	239
Operating profit	MEUR	19.1	13.7	16.6	24.4	22.7
Operating profit	%	7.8	6.8	6.8	10.2	9.5

Kalmar		Q4/2007	Q3/2007	Q2/2007	Q1/2007	Q4/2006
Orders received	MEUR	346	324	367	393	327
Order book	MEUR	660	684	693	651	593
Sales	MEUR	364	326	330	324	321
Operating profit	MEUR	26.9 *	27.8	24.1	26.7	28.3
Operating profit	%	7.4 *	8.5	7.3	8.3	8.8

MacGREGOR		Q4/2007	Q3/2007	Q2/2007	Q1/2007	Q4/2006
Orders received	MEUR	616	483	338	259	149
Order book	MEUR	1,946	1,614	1,314	923	813
Sales	MEUR	261	187	169	131	138
Operating profit	MEUR	22.3	15.0	11.3	10.7	9.7
Operating profit	%	8.6	8.0	6.7	8.2	7.0

* Excluding the one-off cost of EUR 18.0 million in Kalmar business area related to a container spreader inspection and repair programme.