

Annual Report
2006

we keep cargo on the move™

Cargotec



Cargotec is the world's leading provider of cargo handling solutions, with net sales amounting to EUR 2.6 billion in 2006. The company employs close to 9,000 people and has activities in approximately 160 countries.

Cargotec boosts material flows by providing equipment, systems and services for the loading and unloading of goods in local transports, terminals, ports, distribution centers and ships. Cargotec's three global business areas, Hiab, Kalmar and MacGREGOR, are all market leaders in their field. Cargotec's class B shares are quoted on the Helsinki Stock Exchange.

Annual General Meeting

Cargotec Corporation's Annual General Meeting will be held at the Marina Congress Centre, Katajanokanlaituri 6, Helsinki, on Monday, February 26, 2007 at 3:00 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 16, 2007.

Shareholders must register by 4:00 p.m. on February 21, 2007. Shareholders must register to attend the meeting by mail (Cargotec Corporation, Shareholder register, P.O. Box 61, FI-00501 Helsinki), by fax (+358 204 55 4275), by telephone (+358 204 55 4284) or over the Internet (www.cargotec.com). Any proxies must be submitted at the same time.

Dividend Payment

The Board of Directors will propose to the Annual General Meeting convening on February 26, 2007 that of the distributable profit, a dividend of EUR 0.99 per class A share and EUR 1.00 per class B share in circulation be paid. Only those registered as shareholders at the Finnish Central Securities Depository by March 1, 2007, 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 8, 2007.

Financial Reports in 2007

Cargotec Corporation will publish the following financial reports in 2007 in English and Finnish:

- Interim report covering the period January–March 2007, on Monday, April 23, 2007
- Interim report covering the period January–June 2007, on Thursday, July 19, 2007
- Interim report covering the period January–September 2007, on Thursday, October 18, 2007

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 address. In addition, financial reports can be ordered by mail from Cargotec Corporation, Investor Relations and Corporate Communications, P.O. Box 61, FI-00501 Helsinki, Finland, by e-mail from communications@cargotec.com, by phone from +358 204 55 4284, or by fax from +358 204 55 4275.



Implementation of Cargotec's Growth Strategy in 2006, p. 9

In 2006 Cargotec continued to implement its strategy through organic growth and by signing several acquisition and service contracts in all of its business areas.



Cargotec's Year 2006, p. 6

During the year, Cargotec received major orders. The new president and CEO took up his duties, the company fine-tuned its strategic priorities, and the Executive Board was renewed.



Load Handling, p. 16

Hiab is the global market leader in on-road load handling solutions for moving, lifting, loading and unloading products, goods or raw material from vehicles.



Container and Heavy Load Handling, p. 19

Kalmar, the leading provider of container and heavy load handling equipment, has activities in terminals, ports, heavy industry and distribution centers.



Marine Cargo Flow Solutions, p. 22

MacGREGOR's marine cargo flow solutions and related services are used in general cargo, bulk, container and RoRo vessels as well as in tankers and bulk terminals.

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Cargotec in Brief

Cargotec is the world's leading provider of cargo handling solutions whose products are used in the different stages of material flow in ships, ports, terminals, distribution centers and local transportation. Cargotec Corporation's brands, Hiab, Kalmar and MacGREGOR, are well-known among customers all over the world.



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 comprises three business areas: Hiab, Kalmar and MacGREGOR. After becoming listed on the stock market, Cargotec has been developed through acquisitions and by strengthening the services offering provided by the business areas.

Cargo Handling Solutions

Cargotec boosts material flows by providing equipment, systems and services for loading and unloading goods. Its cargo handling solutions include various on-road load handling equipment, container handling equipment, heavy industrial material handling equipment and marine cargo flow solutions. Extensive services offering close to customers ensure continuous usability of the equipment. Products and services are tailored to meet the customers' varying needs. Cargotec is the technology leader in its product range. In its product development, Cargotec focuses particularly on electronic solutions, remote control and automation.

Customers

Cargotec's key customer groups include transportation companies, truck owner-operators, shipyards, ship owners, ship operators, logistics companies, distribution centers, terminals and port operators. Other major customers include municipalities, the defense industry and heavy industry. Demand for Cargotec's products is based on increasing world trade, container transportation and goods transportation by land and sea as well as heavy industry's increasing material handling needs.

Operations

Cargotec Corporation employs close to 9,000 people and has activities in approximately 160 countries. The Group's assembly units are located in Finland, Sweden, the Netherlands, Ireland, Poland, Spain, the United States, China, Korea and Malaysia. In 2006, Cargotec's net sales were approximately EUR 2.6 billion. The company's class B shares are quoted on the Helsinki Stock Exchange, with a trading volume of 52.9 million shares in 2006.

Sales by Business Area



■ Hiab 35%
 ■ Kalmar 46%
 ■ MacGREGOR 19%

Employees by Business Area



■ Hiab 43%
 ■ Kalmar 43%
 ■ MacGREGOR 13%
 ■ Corporate Administration 1%

Sales by Market Area



■ EMEA 53%
 ■ Americas 28%
 ■ Asia Pacific 19%

Employees by Market Area



■ EMEA 71%
 ■ Americas 14%
 ■ Asia Pacific 15%



CEO's Message: A Year of Success, Growth and Development

Dear Reader

Cargotec's first full year in operation was successful. We continued our strong growth as in previous years and improved our profitability in all of our business areas. In May, I had the pleasure to assume the duties of President and CEO following my predecessor, Carl-Gustaf Bergström, to whom I wish to extend my warm thanks for successfully listing Cargotec and steering the company through its first steps.

Our Vision and Strategic Plan Crystallize Our Goals

In 2006, we continued to develop the company, crystallizing our strategic intent into Cargotec's vision in the early summer. Our vision describes our customers, employees and partners the direction in which we wish to take the company and our key strengths in the face of competition.

Based on our vision, we drew up a five-year strategic plan according to which we seek to grow profitably, both organically and through acquisitions. Increasing world trade and material flows are boosting growth in our industry. Our goal is to become a strong and global market leader in cargo handling solutions while gaining a leading position in the related services. We will continue to focus on technological development, in order to be able to offer new, innovative solutions to our customers. We also want to provide our customers with more efficient and environmentally-friendly cargo handling solutions.

Growth and Additional Expertise through Acquisitions

We were very active in acquisitions in 2006, making a total of eight acquisitions. Of these, the purchase of BMH Marine, today's MacGREGOR Bulk, extended our expertise to a new ship type, bulk carriers, enabling MacGREGOR to supplement its marine cargo flow solutions offering with bulk cargo handling solutions.

At the end of 2006, we announced our plan to acquire CVS Ferrari, which provides container handling equipment and related services. The finalization of this transaction,

which is subject to competition authority approval, will strengthen Kalmar's position in the container handling business, particularly in the Mediterranean region.

In the field of services, we complemented our strong organic growth by making a number of smaller acquisitions and signing several major, long-term service contracts with our key customers. We will continue to expand and strengthen our global service network in order to further increase our services business. Including smart features in the development of our products enables the remote monitoring of the equipment. This makes it possible for us to provide increasingly innovative services to our customers. Through proactive and planned maintenance we can extend the life cycle of our customers' products and minimize costs resulting from down-time and malfunction.

Renewed Executive Board Reflects Our Strategic Priorities

In the fall, we supplemented Cargotec's Executive Board to strengthen our management's resources to implement the measures necessary for achieving our goals. The Executive Board welcomed several new members whose job description includes the monitoring of key development projects from the Group perspective rather than that of an individual business area. By taking full advantage of the Group's shared resources and skills we will be able to achieve the best results. Our aim to expand our operations and the share of our services business emphasizes the importance of skilled personnel. Our impressive growth rate is reflected by the fact that in 2006 our personnel increased by close to 1,000 people.

Development Continues –

Financial Targets Published in January 2007

An essential element related to the implementation of our strategy lies in our financial targets published in January 2007. Based on a thoroughgoing analysis carried out in the fall of 2006, these targets reflect the growth opportunities

provided by our industry as well as the effect our business model and our growing services business have on our profitability.

Our annual growth target, including acquisitions, is over 10 percent, while our operating margin target, which relates to our profitability, is 10 percent. In tandem with profitable growth, we seek to maintain a stable balance sheet structure which is reflected in our aim to keep our gearing under 50 percent.

Increasing world trade and expanding global material flows form a solid platform on which to build our future. As the market leader, we have excellent preconditions for meeting our customers' expectations in providing increasingly efficient cargo handling solutions and, in this way, creating added value both for our customers and our shareholders.

I wish to thank our customers and partners for their excellent cooperation and for the confidence they have shown in us in 2006. The whole of our personnel deserves special thanks for a successful year. Our strong growth and numerous acquisitions have required substantial flexibility from many of you. In 2007, we will continue to implement measures based on our strategic plan. Last year's success and our strong order book at the turn of the year provide excellent opportunities for Cargotec's development and profitable growth in 2007.

Mikael Mäkinen
President and CEO



Cargotec's Year 2006

2006 was a successful year for Cargotec. During the year, the company made several acquisitions and received major orders. The new President and CEO took up his duties, the company fine-tuned its strategic priorities, and the Executive Board was renewed. Cargotec's net sales totaled EUR 2.6 billion, showing growth of 10 percent from the pro forma figures in 2005. The company's operating income increased to EUR 240 million.



The year 2006 began with major orders, as Cargotec received an order for an automatic stacking crane system for the Port of Hamburg and an order for 25 straddle carriers for South Africa. January also saw an extensive order for RoRo equipment for multi-purpose vessels under construction in Croatia. In February, Mikael Mäkinen was appointed new President and CEO of Cargotec. He assumed his duties on May 1 when Cargotec's previous President and CEO, Carl-Gustaf Bergström, retired. Cargotec's AGM elected Bergström as a member of the company's Board of Directors in February.

Strategic Priorities and Executive Board Nominations

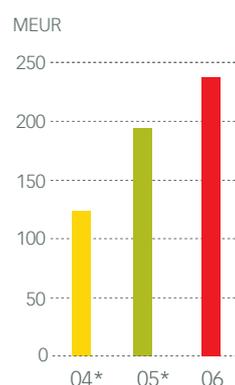
The new President and CEO led work to fine-tune Cargotec's strategic priorities. The priorities are to expand operations, particularly in Asia and the Americas, and increase services business. This will also be pursued through acquisitions. Furthermore, Cargotec selected personnel as one of its strategic priorities.

In June, Olli Isotalo was appointed President of MacGREGOR and a member of Cargotec's Executive Board. The Executive Board was renewed in the autumn when Harald de Graaf was appointed Senior Vice President, Services, and Matti Sommarberg was appointed Senior Vice President, Operations Development. In November, Kirsi Nuotto joined Cargotec to work as Senior Vice President, Human Resources and as a member of the Executive Board.

Several Acquisitions and Numerous Orders

Cargotec's strong order intake continued throughout the year. In May, the company received significant hatch cover orders worth over EUR 65 million. The company also sold a

Operating Income



2004: MEUR 124

2005: MEUR 195

2006: MEUR 240

* Pro forma

large amount of RoRo equipment for ships under construction in Korea, Japan, Croatia and Finland, and container handling equipment to South America, the United States and South Africa. Cargotec also signed major service contracts in all business areas.

In the spring, Cargotec bought the U.S. port service company, ECC, and strengthened its marine cargo flow business in June by acquiring BMH Marine, specializing in bulk handling systems, and in August by acquiring the hydraulics servicing company, Grampian Hydraulics.

In the autumn, Kalmar bought Catracom, a distributor of Kalmar equipment in Belgium. At the year end, Kalmar signed an agreement to acquire CVS Ferrari, an Italian company specializing in container handling equipment and holding a strong position in the Mediterranean region.

Key Figures

		Financial period 2006	Pro forma 2005	Financial period Jun 1–Dec 31, 2005	Pro forma 2004
Orders received	MEUR	2,910	2,385	1,366	2,337
Order book Dec 31	MEUR	1,621	1,257	1,257	1,219
Sales	MEUR	2,597	2,358	1,419	1,900
Operating income	MEUR	239.5	194.8	124.6	123.9
Net income for the period	MEUR	166.1	136.6	87.4	78.1
Return on equity	%	20.2	19.2	20.8	12.6
Return on capital employed	%	23.1	20.9	21.9	12.9
Gearing	%	12.3	15.7	15.7	43.0

Vision and Strategy:

Cargo Handling Solutions

Improve the Efficiency of

Cargo Flows

Cargotec's vision is based on improving the efficiency of cargo flows by offering cargo handling systems and related services.

Cargotec's strategic target is to be the global market leader in cargo handling. We aim to achieve this by offering technologically leading solutions and by being closer to our customers than the competition. Growing our service business is an important tool for strengthening our presence in our customers' daily lives. One of Cargotec's key strengths is its global network comprising a presence in the whole cargo flow chain and in all materials handling hubs such as local transportation, terminals, ports, distribution centers and ships.

Cargotec's vision

Cargotec improves the efficiency of cargo flows by offering handling systems and related services for the loading and unloading of goods. Our closeness to customers, global network and market leader position enable us to proactively and innovatively address customers' needs.

we keep cargo on the move™

Cargotec's strategy is based on profitable growth in developing and consolidating markets. We want to significantly grow our business and become a truly global company by expanding our presence, especially in Asia Pacific and the Americas. We want to broaden and localize our product offering to better meet customers' needs.

In addition to organic growth, Cargotec will grow through acquisitions in order to accelerate its expansion into new markets and develop its existing service network. Our aim is to build a leading position in services. Through new solutions and a stronger presence in key service hubs, Cargotec provides its customers with support services that cover the product's entire life cycle.

In order to achieve our growth targets, we must increase our focus on the development of our operating model and human resources. We will take better advantage of our knowhow and economies of scale, particularly with respect to technology development and our global network. Furthermore, we aim at strengthening our network-based operating model through joint training programs and job rotation.

One company
with many faces

market leader
finds the way

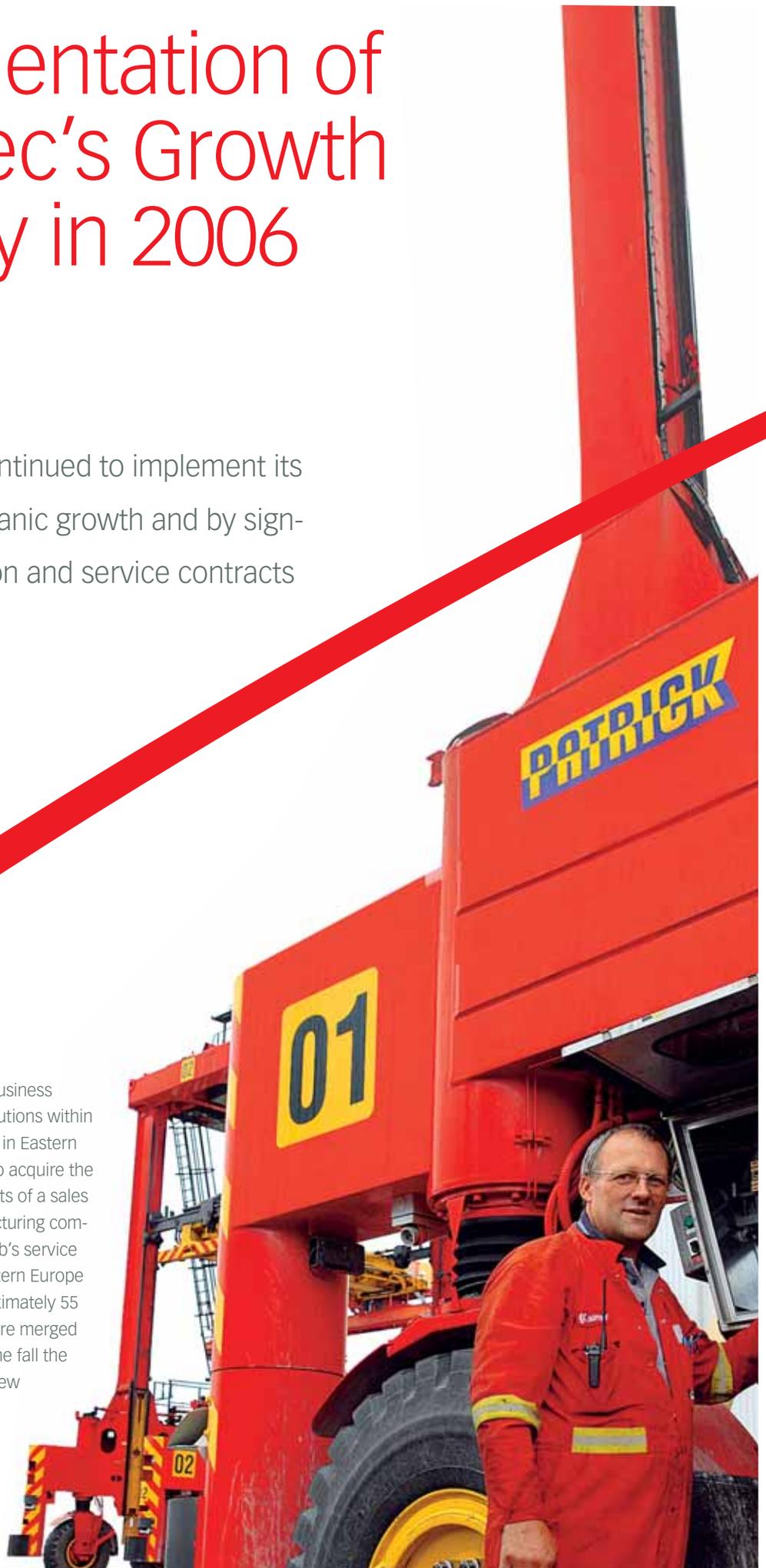
services
is sharing our customer's objective

it's the people
that bring it together

Implementation of Cargotec's Growth Strategy in 2006

In 2006, Cargotec continued to implement its strategy through organic growth and by signing several acquisition and service contracts in all business areas.

In early 2006, Hiab, the business area providing load handling solutions within Cargotec, expanded its operations in Eastern Europe by signing an agreement to acquire the tail lift producer, AMA. AMA consists of a sales company in Holland and a manufacturing company in Poland, through which Hiab's service to load handling customers in Eastern Europe will improve. AMA employs approximately 55 people. Its business operations were merged with Hiab during the year, and in the fall the company's operations moved to new premises in Poland enabling it to expand its tail lift production.

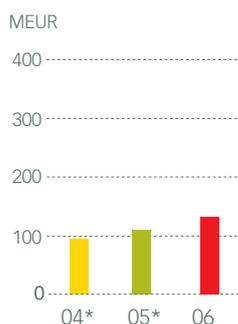


Hiab
Service Business as
Percentage of Sales



■ Services 15%
■ New equipment 85%

Hiab
Services Sales



2004: ■ MEUR 95
2005: ■ MEUR 109
2006: ■ MEUR 134

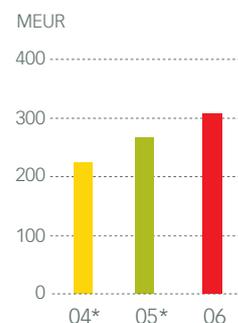
* Pro forma

Kalmar
Service Business as
Percentage of Sales



■ Services 26%
■ New equipment 74%

Kalmar
Services Sales



2004: ■ MEUR 223
2005: ■ MEUR 267
2006: ■ MEUR 311

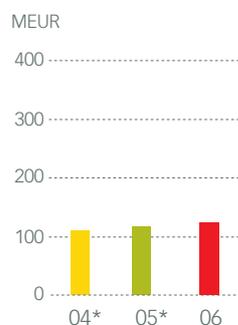
* Pro forma

MacGREGOR
Service Business as
Percentage of Sales



■ Services 27%
■ New equipment 73%

MacGREGOR
Services Sales



2004: ■ MEUR 110
2005: ■ MEUR 116
2006: ■ MEUR 128

* Pro forma

Hiab also secured several major service contracts, the largest of these being a 13-year contract covering the service of Hiab load handling equipment on 548 Scania trucks delivered to the Dutch Army. The Army has used Hiab's solutions in its vehicles for years. According to the contract, Hiab will not only maintain the demountables and loader cranes it has delivered but will also take care of damage repair including spare parts supply throughout the contract period.

Several Acquisitions in the Container Handling Business

In 2006, Kalmar made several acquisitions to further strengthen its service business. In March, Kalmar acquired East Coast Cranes and Electrical Contracting Inc. (ECC), a U.S. company specializing in crane construction services and maintenance on the U.S. East Coast and Gulf ports. It also has activities on the U.S. West Coast, Caribbean and in South America and employs over 100 people. In 2006, the company carried out several crane modernization and crane transport projects in the United States. The acquisition of ECC strengthens Kalmar's expertise in servicing various types of port equipment. This know-how can be utilized on a global basis.

In the last few years, Kalmar has focused on expanding its operations in South Africa. In 2006, Kalmar strengthened its local subsidiary and cooperation with South African Port Operations (SAPO). In continuation of the deliveries made in previous years, Kalmar received several orders from SAPO. In September, Kalmar further strengthened its presence in this area by acquiring the Kalmar equipment related service business of African National Engineering.

Kalmar also secured various equipment orders and service contracts from India. In 2006, Kalmar's subsidiary, Indlift, enhanced its position in this emerging market and will continue to do so by hiring more sales and service personnel, strengthening the supply of spare parts and expanding to new areas in India. In July, Kalmar signed a five-year service contract for 29 RTGs (rubber-tyred gantry cranes) with Gateway Terminals India Pvt Ltd, covering maintenance, engineering support, daily inspections and spare parts supply.

Distributors in Belgium and Spain Acquired

Kalmar aims at strengthening its presence close to customers and at large container ports. As part of this objective, the company acquired two European distributors in 2006.

In September, Kalmar signed an agreement to acquire its Belgian distributor, Catracom, which has been distributing Kalmar equipment since 1985. Catracom has a strong position in the port of Antwerp where Kalmar has delivered a large number of container handling equipment in the last few years. This acquisition significantly strengthens Kalmar's service offering in the port and equipment rental business.

In December, Kalmar strengthened its presence in Spain by acquiring the majority of the shares of its Spanish distributor, Kalmar Espana S.A., the leading distributor and service provider for heavy industrial material handling and port customers in Spain. The company employs six people.

CVS Ferrari to Become Part of Kalmar

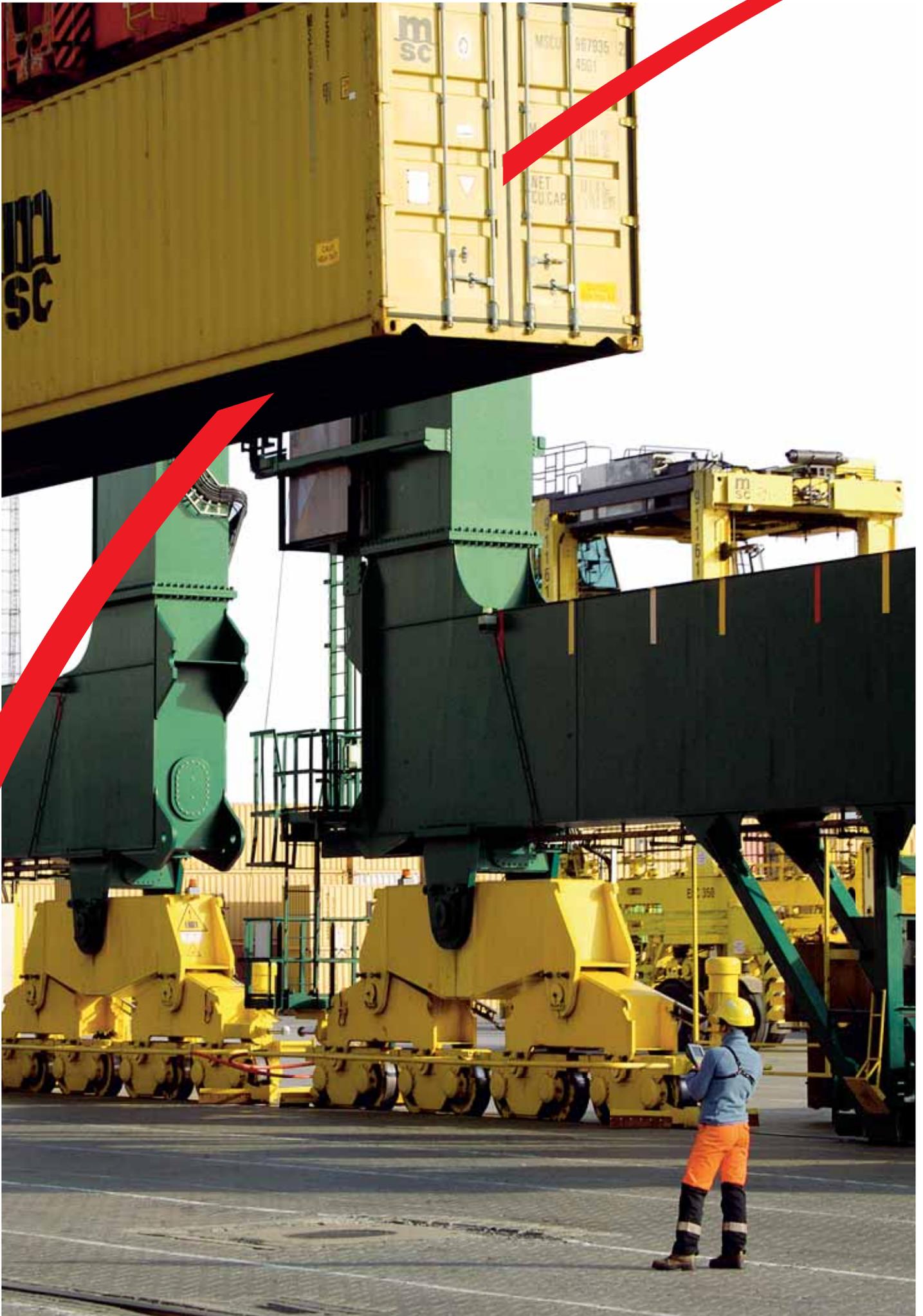
At the end of 2006, Kalmar strengthened its presence in Mediterranean markets by acquiring CVS Ferrari Group, the Italian company providing container and materials handling equipment and services. CVS Ferrari has a strong market position in Italy and elsewhere in the Mediterranean region. The company employs approximately 300 people, over 100 of whom are service staff working in Italy. The acquisition is expected to contribute to synergies in areas like production, product development and sourcing. The agreement is subject to competition authority approval.

New Product Areas and Services for the Marine Cargo Handling

In 2006, Cargotec expanded its marine cargo flow business through two acquisitions. In June, MacGREGOR expanded into bulk handling equipment on ships and at port terminals by signing an agreement to acquire the Swedish-based BMH Marine AB. Growing mineral transportation volumes are increasing demand for bulk carriers. BMH Marine's strong presence in Asia supports both MacGREGOR's operations and service business in this region. A common feature shared by the businesses is that they have outsourced their equipment production to external partners. Following the acquisition, BMH Marine was renamed as MacGREGOR Bulk.

In August, MacGREGOR supplemented its service business by signing an agreement to acquire Grampian Hydraulics, a Scottish company specializing in the servicing of offshore support vessels in the oil fields of the North Sea. This business is expected to grow due to high oil prices and increasing offshore business.





Market Overview: Increasing Material Flows Kept Cargo Handling Investments High

Cargotec's market environment continued to be favorable in 2006. Global growth in material flows increased cargo handling needs and kept investments high in this field.

During long, global transport chains, cargo is unloaded and reloaded several times as the mode and size of the transport unit change. Increasing efficiency requirements are placed on the transportation of consumer and industrial goods, in addition to which energy efficiency and other environmental matters are important. In 2006, Cargotec focused on developing both electrical and remote control-able solutions in all of its three business areas.

At the year end, the World Bank estimated world trade volume growth for 2006 at 9.7 percent, as against 7.7 per-

cent in 2005 and 10.4 percent in 2004. The trade in manufactured goods has increased even faster than the average.

World Trade Grows Faster Than GDP

For several years, world trade growth rate has been approximately double the GDP growth rate. In 2006, the world GDP growth rate was estimated to be almost four percent, showing an upward trend from 3.5 percent in 2005. However, in several emerging markets, such as China, India and South America, the economic growth rate substantially exceeds the world average. In these markets, major infrastructure investments targeted at the needs of increasing import and export activities are underway, also emphasizing the attractiveness of these markets for Cargotec. The share of emerging markets in goods imports to richer countries has increased from 14 to 40 percent over the last two decades. Economic growth in highly populated countries is expanding their middle class and bringing new consumers into the world economy.

Record Number of Ships under Construction in Shipyards

Increased demand for marine transports has been reflected for several years in shipyards' record-high order books. Demand for MacGREGOR's marine cargo flow solutions lags roughly 12 months behind shipyards' order intake. In 2006, strong container ship order books at shipyards boosted demand for hatch covers, ship cranes and container-securing equipment. Orders for ramp systems and other cargo handling solutions for RoRo ships increased markedly. Cargo handling demand improved also for bulk ships.



Lively Demand for Container Handling Equipment at Ports

The global increase in container transports was reflected in substantial investments by ports in their container handling equipment. In particular, demand for Kalmar's multipurpose reachstackers was record high while that for other moving and stacking equipment used in container yards was also buoyant. The continued successful implementation of automation applications enabled port terminal operators to improve their container handling efficiency.

In addition to ports, demand for Kalmar's terminal tractors was also high in U.S. distribution centers. Furthermore, steel, timber and other heavy industry investments in Kalmar's forklift trucks were clearly above their 2005 levels.

High Demand for Load Handling Equipment

The lively market situation for load handling equipment was reflected in strong demand for Hiab's products. A large number of new trucks were bought both in Europe and North America, particularly during the first half of the year, boosting demand for truck-mounted load handling equipment. Although the peak in demand for new trucks leveled off after the summer, demand for loader cranes in particular continued brisk all year in Europe.

In North America, demand for load handling equipment used in building materials supply leveled off slightly towards the end of the year. However, Hiab further strengthened its market position in North America in 2006 by securing major truck-mounted forklift and loader crane orders with key U.S. customers engaged in building materials supply.

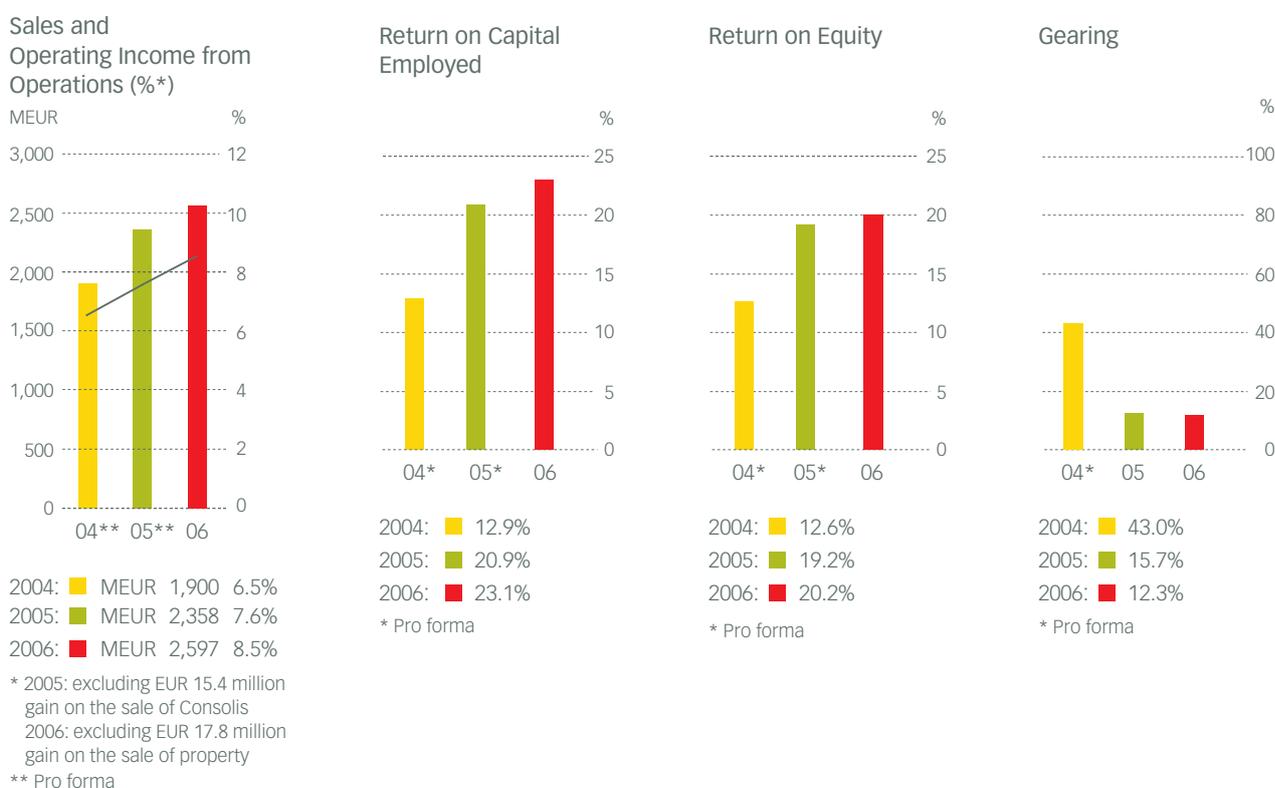
High Utilization Rates Increases Need for Services

Service markets continued to be lively in all of Cargotec's business areas. Increasing ship sizes require ports either to make new investments or refit their existing equipment in order to ensure the efficient loading and unloading of increasingly longer and wider ships. High utilization rates of customer equipment increase demand for spare parts and maintenance services. On the other hand high utilization rate of ships was reflected at MacGREGOR in some customers postponing laying up their vessels for maintenance, although this typically increases the amount of maintenance work that eventually needs to be done. These deferred services needs should materialize as soon as shipyards are able to provide customers with the additional capacity they have ordered.



Management Analysis: Continued Profitable Growth

Cargotec increased its net sales by 10 percent during 2006, based mainly on organic growth. The year 2007 will see the favorable effect of 2006 acquisitions on growth. Operating margin from operations continued to increase, rising to 8.5 percent. The company's balance sheet remained extremely strong.



Strong markets throughout the financial year contributed to growth in Cargotec's net sales. The service business reported a net sales increase of 16 percent, exceeding growth recorded by new equipment. The service business's volume grew to almost EUR 600 million. Cargotec will continue to focus on service business growth.

Continuing its profitable growth, Cargotec increased its year-on-year operating margin from operations from 7.6 percent to 8.5 percent. Non-recurring gains were included in both years' figures, resulting in operating income margin for 2006 and 2005 of 9.2 percent and 8.3 percent, respectively. The company's profit performance has improved significantly as a result of business areas' streamlining programs implemented in previous years and the downstream shift in operational focus from

production closer to customers. Naturally, high volumes also contributed favorably to profitability. On the other hand, the globally strong business cycle in the engineering industry occasionally presented challenges to the availability of components. Moreover, components' price developments required not only increases in customer prices but also a continuous focus on sourcing.

Cargotec showed a strong cash flow throughout the year and improved its return on both capital employed and equity from the previous year's levels. The company strengthened its balance sheet, despite investments in organic growth and acquisitions. Year-end gearing stood at 12.3 percent. Given that the company's industry provides significant growth potential, Cargotec will continue to make investments to capitalize on this potential.

Load Handling



Hiab is the global market leader in on-road load handling solutions for moving, lifting, loading and unloading products, goods or raw material from vehicles.

Hiab's safe and efficient equipment is used in local transportation, building industry, waste handling, recycling, agriculture and forestry, public services utilities and the defence forces.

Hiab provides the industry's most extensive range of load handling equipment, including HIAB loader cranes, MULTILIFT demountables, MOFFETT and PRINCETON PIGGYBACK® truck-mounted forklifts, ZEPRO, AMA, FOCOLIFT and WALTCO tail lifts, and JONSERED and LOGLIFT forestry and recycling cranes. Sales companies, importers and distribution partners in over 100 countries throughout the world serve Hiab's customers by providing Hiab's equipment and services. The business area's 13 production units are located in Sweden, The United States, Finland, The Netherlands, Ireland, Spain, Korea, Poland, and China.

Load Handling Equipment Demand

In 2006, the volume of Hiab's load handling equipment markets exceeded EUR 4 billion. The market demand depends, for example, on the activity of the construction sector and land transportation as well as new truck registrations. Demand is further fuelled by the efficiency and safety targets set for load handling equipment by customers and authorities, as well as the improving standard of living in developing countries. With respect to cranes and demountables used in recycling, demand is particularly influenced by urbanization, increased environmental awareness and new environmental norms. Since load handling products have a long life cycle, the related services markets are also growing.

In 2006 new truck registrations increased in Europe and the United States from the previous year as transport entrepreneurs prepared for new equipment and pollution regulations. Demand was further fuelled by the strong market situation for the building material supply, although this leveled off in the United States during the second half of the year. In Japan, markets weakened somewhat over the year while growth continued elsewhere in Asia.

Operations Expanded

Year 2006 was a year of strong growth for Hiab, both in terms of new equipment sales and service operations. The

company introduced several new products and product applications during the year and continued to invest in the development of its sales, services and installation networks. Hiab's production units met growing demand by further improving their operational flexibility and increasing their capacity.

In 2006, Hiab developed its centers of excellence for installation in Perrysburg, U.S., Bladel, The Netherlands, and Raisio, Finland. In addition to these, Hiab has new installation centers at the kick-off stage in France and Spain. With respect to installation activities, Hiab concentrated on further cooperation with truck manufacturers, distributors and key customers to ensure rapid installation of load handling equipment and to decrease the need for changing the vehicle's structures. According to the experience gained, installation times can be cut by as much as 40 percent, which means that the customer will be able to receive the vehicle sooner than before. Hiab is currently developing concept vehicles with truck manufacturers, taking special requirements related to load handling equipment into account at the planning stage.

Due to strong demand Hiab expanded its operations in 2006. In Ohio, U.S., new loader crane and truck-mounted forklift installation facilities were taken into use. The U.S.-based unit manufacturing truck-mounted PRINCETON PIGGYBACK® forklifts moved to larger premises while the Finnish installation and services center moved to new expanded premises in Raisio, next to Hiab's main production unit for demountables.

Sales by Market Area



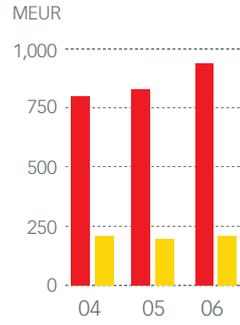
- EMEA 58%
- Americas 35%
- Asia Pacific 7%

Employees by Market Area

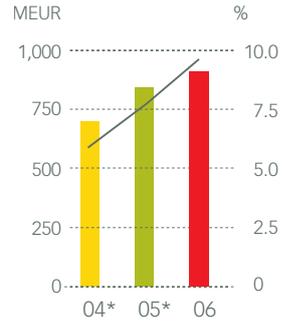


- EMEA 76%
- Americas 19%
- Asia Pacific 5%

■ Orders Received*
 ■ Order Book**



Sales and Operating Income (%)



2004: ■ MEUR 805
 ■ MEUR 215
 2005: ■ MEUR 831
 ■ MEUR 197
 2006: ■ MEUR 946
 ■ MEUR 215

2004: ■ MEUR 697 6.4%
 2005: ■ MEUR 844 7.9%
 2006: ■ MEUR 914 9.4%
 * Pro forma

* Pro forma for 2004 and 2005
 ** Pro forma for 2004



In order to improve flexibility of production sites, development projects were run in the tail lift production unit in Bispgården, Sweden, the demountable production unit in Raisio, Finland and in the forestry and recycling production unit in Salo, Finland.

In Shanghai, China, the demountable assembly unit started full-scale operations during 2006, delivering hundreds of equipment to the Asian markets. The Chinese sales organization was strengthened during the year. Component sourcing from Asia to Hiab's assembly units was also increased.

Orders and Cooperation Agreements

Hiab receives most of its orders from numerous individual customers. In 2006 the company also concluded significant cooperation agreements. Hiab signed an agreement with a major European waste management company, Suez Environment (SITA), making Hiab the preferred Pan-European supplier of demountable systems for SITA. The parties intend to expand the agreement in the future to include Hiab's other load handling solutions.

Hiab also signed a significant 13-year service contract for load handling equipment with Scania. Hiab will service its demountables and loader cranes installed on Scania trucks and delivered earlier to the Dutch Army.

In 2006, Hiab also entered into a license-based cooperation agreement with Combilift of Ireland, giving Hiab the right to manufacture and sell the new Telemount truck-mounted forklift. In the same connection, the production of these forklifts was integrated with Hiab's operations in Ireland. This agreement further strengthened Hiab's know-how in, and provision of, truck-mounted forklifts.

R&D and Product Launches

During year 2006 Hiab established a common R&D organization in loader cranes, forestry and recycling cranes and demountables. This cooperation will continue in 2007.

Hiab's customer-driven product development builds on modularized solutions which are more efficient to manufacture and quicker to install. In cooperation with key customers, Hiab designs comprehensive solutions that are based on the latest technology and meet the most demanding load handling requirements.

Customers increasingly want lighter load handling solutions in order to increase payloads and decrease fuel consumption. Hiab has a leading position in developing solutions utilizing high-strength steel, which enables a com-

ination of high hoisting capacity and low equipment weight.

The use of various control systems increases operational efficiency and decreases operating expenses. Hiab has developed an integrated weighing system for demountables, enabling a transportation company to avoid overloading while economically optimizing load weight.

Hiab utilizes advanced, often electronically-controlled hydraulic systems in its load handling equipment. Electronic control enables extra capacity when needed and allows the integration of various features for ergonomic and safe use. In the future, Hiab's product development will further emphasize the integration of hydraulics and electronics.

The XR hooklift series launched in 2004 has proven to be a success among customers, due to its design concept which allows easy and quick installation of the equipment on the truck. The XR series was supplemented in 2006 to include heavy capacity equipment. This XR 21 has a logic control system, which gives the customer freedom to choose additional features based on individual needs.

The loader cranes product line presented new remote control units especially designed for truck-mounted cranes. A new XS 477 loader crane with a hoisting capacity of 40–44 tonmeters was also launched. The new Telemount truck-mounted forklifts were integrated with Hiab's other truck-mounted forklift production. Furthermore, the truck-mounted forklift product line was complemented with additional 4-way forklift models enabling more versatile applications.

In 2006 Hiab launched a total of 17 new products including also new tail lifts and forestry and recycling cranes.

Development Areas in 2007

In 2007, Hiab will in Europe continue to invest in the installation and services business and further develop its key customer concept while increasing its sales efforts in new markets in Eastern Europe.

In Asia, Hiab will strengthen its sales organization to better meet growing demand. Hiab will also increase its component sourcing from Eastern Europe and Asia.

In the United States, the load handling equipment market is expected to level off. Hiab will concentrate on strengthening its market position by expanding its load handling equipment offering to new applications as well as further developing service of customers' installed equipment.

Hiab is examining opportunities to increase its presence in growing markets by expanding its product range to simpler-technology load handling equipment.



Container and Heavy Load Handling



Kalmar, the leading provider of container and heavy load handling equipment, has activities in terminals, ports, heavy industry and distribution centers in approximately 140 countries. When a ship arrives at or leaves a port, Kalmar's container handling equipment loads and unloads the containers and stacks and moves them in the port area in preparation for subsequent transportation.

The automation features of Kalmar container handling equipment facilitate container placement in the right position and speed up further handling. If needed, port container yards can also be fully automated. Kalmar's comprehensive services offering close to customers ensures flawless operation of equipment and eliminates delays. In addition to container handling equipment, Kalmar's product range includes heavy load handling equipment and logstackers.

In container handling and moving of goods, Kalmar's main customers include ports, port operators, inland terminals, ship operators and stevedoring companies. As for heavy load handling equipment, Kalmar's main customers include sawmills, the pulp and paper industry, the steel and concrete industry and engineering works. There are approximately 80,000 Kalmar machines currently in operation all over the world.

Kalmar serves its customers globally through 18 sales companies and some 300 dealers. The company's assembly units are located in Finland, Sweden, The Netherlands, The United States and China. Kalmar also has a Bromma spreader manufacturing plant in Malaysia.

Business Drivers

The increase in container transport is boosting Kalmar's business. The total value of container handling equipment and services markets was estimated at EUR 7 billion in 2006, Kalmar being the global market leader. Hundreds of millions of containers are transferred in the world every year, with every fourth one being handled by a Kalmar product. Container vessels are getting bigger, and efforts are being made to reduce vessel port times. Consequently, port operators need more efficient container handling solutions. Equipment and services must be increasingly flexible and adapt to various types of use. The consolidation trend among terminal operators is increasing the size of customer companies. In heavy industrial material handling, customers are aiming to outsource equipment operations.

A New Operational Concept

Kalmar reorganized its global assembly network by establishing the Multi Assembly Unit organization to meet its customers' increased demands for operational flexibility.





Under the new model, the production plants assemble various products while the product lines focus on product design, marketing and sales as well as monitoring market development, quality and delivery times. Other key focus areas during the year included organic growth, increased product automation and expansion of the services business.

New Units

In 2006, Kalmar opened a new assembly plant for terminal tractors, rubber-tired gantry (RTG) cranes, reachstackers and empty container handling equipment in Shanghai, China, to comprehensively cater for the Asian needs. The assembly unit is located in the Lingang industrial park near the port of Yangshan, currently being developed into a container port with a handling capacity of 20 million containers.

Kalmar received a number of major orders from South Africa in 2006, including an order for 25 straddle carriers and 12 environmentally-friendly E-One RTG cranes from Transnet Limited t/a

South African Port Operations (SAPO). During the last five years, Kalmar has delivered over 130 straddle carriers to SAPO.

Kalmar also established a subsidiary, Kalmar Industries South Africa (Pty) Ltd, which focuses on the sales and servicing of straddle carriers, RTG cranes and terminal tractors. Furthermore, Kalmar signed an agreement to acquire the Kalmar equipment related service business of African National Engineering based in South Africa, the operations of which were merged with Kalmar's local subsidiary.

New Orders Characterized by Environmental-friendliness and Automation

Kalmar's order intake totaled EUR 1,282 million in 2006. Demand was strong in Asia and Europe. In South America demand began to strengthen towards the end of the year. Important milestones for the year included the delivery of the 40,000th terminal tractor in the U.S. and the delivery of the 1,000th F-series reachstacker in Europe. At the year end Kalmar received a significant order for four ship-to-shore cranes to the new Vuosaari port in Helsinki, Finland. The new port will be in function in 2009.

Orders secured in 2006 demonstrated the customers' growing requirements in automation and environmental-friendliness. For example, Wallenius Wilhelmsen, which specializes in car carriers, ordered 11 RoRo trucks and seven terminal tractors for 13 of its RoRo vessels. One of the decisive factors in the order were environmental qualities.

Kalmar's environmentally friendly E-One RTG crane made its Australian debut when P&O Ports Australia ordered six cranes for its Port Botany container terminal in Sydney and its Fremantle container terminal.

Kalmar will supply its 7th generation ESC EDRIVE® straddle carriers to Aarhus Stevedore Kompagni for the Port of Aarhus in Denmark. The 19 straddle carriers to be delivered will be equipped with Kalmar's Smartpath® container position verification system and Remote Monitoring Interface (RMI).

The Belgian port operator APMT Zeebrugge contracted Kalmar to fit 23 straddle carriers with a Smartpath® container position verification system. Developed by Kalmar, the Smartpath® automation technology verifies and reports on the location of handled containers and thus, saves time.

Automation a Key Part of Product Development

In 2006, Kalmar continued to make product development investments in both automation and environmental issues. Kalmar Intelligence & Automation (KIA), a business unit founded in 2005, increased its resources. In addition, several software subcontractors cooperate with KIA.

During 2006, KIA developed a new measuring system for the automatic stacking cranes (ASCs). Thanks to the new system, which combines camera and laser technology, the ASC spreader identifies the container position from several angles, enabling the container to be placed more quickly and precisely. The measuring system will be implemented in 15 ASCs that will be delivered to HHLA, the Port of Hamburg's biggest terminal operator.

Kalmar also launched the Fleetview fleet control system enabling real-time monitoring of equipment in the container yard. The assignment of container handling tasks to the nearest vacant machine will improve port and terminal efficiency since transportation distances are shortened and unladen traveling distances are minimized.

The new i-series terminal tractor introduced by Kalmar in the spring of 2006 was warmly welcomed by the market. Equipped with a fully electronic control system, the new model meets the latest environmental regulations and has longer service intervals. The new terminal tractor is specifi-

Sales by Market Area



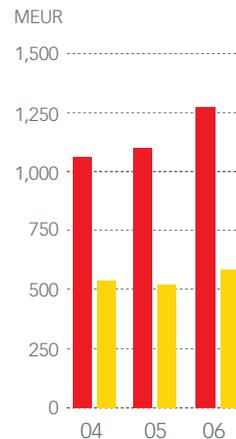
■ EMEA 52%
■ Americas 31%
■ Asia Pacific 17%

Employees by Market Area



■ EMEA 64%
■ Americas 13%
■ Asia Pacific 23%

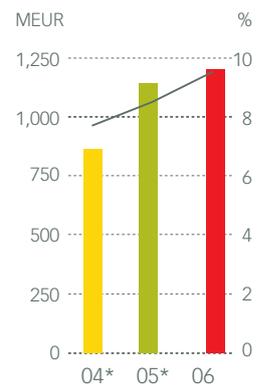
■ Orders Received*
■ Order Book**



2004: ■ MEUR 1,066
■ MEUR 549
2005: ■ MEUR 1,103
■ MEUR 520
2006: ■ MEUR 1,282
■ MEUR 593

* Pro forma for 2004 and 2005
** Pro forma for 2004

Sales and Operating Income (%)



2004: ■ MEUR 865 7.7%
2005: ■ MEUR 1,147 8.5%
2006: ■ MEUR 1,203 9.3%
* Pro forma

cally targeted at the European markets, with orders already placed by ports in Ireland, Spain, Germany, Finland and Sweden, among others.

Environmental Considerations and Product Development

Kalmar's environmentally-friendly products include the all-electric E-One RTG cranes, electricity powered EDRIVE® straddle carriers, and forklift trucks and terminal tractors powered by natural gas and other alternative fuels.

In the United States, Kalmar is participating in a project aimed at reducing pollution in U.S. West Coast ports by developing a hybrid terminal tractor. The two-year project will be undertaken in cooperation with the West Coast Collaborative of the US Environmental Protection Agency and the ports of Los Angeles and Long Beach, where the terminal tractors will be operated and tested for six months. The new hybrid equipment is expected to reduce air emissions significantly.

Marine Cargo Flow Solutions

MacGREGOR MacGREGOR is a global provider of marine cargo flow solutions and related services whose solutions are used in general cargo, bulk, container, and RoRo vessels as well as in tankers and bulk terminals.

MacGREGOR's onboard ship cranes are employed to load and unload cargo in ports while its cargo securing equipment keeps containers in place and its hatch covers ensure optimal access to and safe storage of cargo. MacGREGOR's various RoRo solutions, such as ramps, car decks and bow doors, enable efficient loading and unloading of cargo. MacGREGOR's bulk handling systems provide efficient handling of dry bulk cargoes on ships as well as in bulk terminals. Finally, versatile services close to the customer ensure the uninterrupted operation of MacGREGOR's equipment and, consequently, the vessels.

Operations

MacGREGOR, the global market leader in its field, operates in approximately 30 major shipping and shipbuilding countries. Its customers include ship owners, ship and bulk terminal operators and shipyards to whom the company provides services through its local and global organization.

MacGREGOR provides cargo flow solutions at the early planning stage of a vessel. Loading, unloading and securing systems are offered as a whole, taking into account the cargo to be transported, the restricted cargo space onboard, routes and other factors relating to the ship's business.

MacGREGOR has concentrated manufacturing of its products to partner plants located close to the market in China, Korea, Japan, Croatia and Poland. The production units have been designed in cooperation with partners in order to meet MacGREGOR's quality and productivity standards, with MacGREGOR's own personnel participating in the related continuous on-site quality control activities. MacGREGOR aims to continue its efforts to expand its business both in terms of new installations as well as in services and related services concepts. In 2006, MacGREGOR focused on developing MacGREGOR Onboard Care, services penetration in general and continued investments in product development.

In 2006, MacGREGOR expanded its offering into the growing bulk handling market by acquiring BMH Marine AB, currently MacGREGOR Bulk, specialized in bulk handling systems onboard ships and in bulk terminals.

Services Keep Ships on the Move

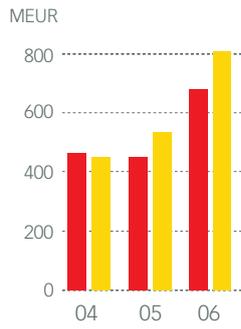
MacGREGOR offers global services including proactive maintenance, repair services and MacGREGOR's original spare parts. The service network serves customers on a 24/7 basis through approximately 60 service stations at major ports around the world. The service business accounts for close to 30 percent of MacGREGOR's net sales.

Through the MacGREGOR Onboard Care service concept, MacGREGOR provides service packages that consist of pre-agreed service measures and regular inspections. Furthermore, the company monitors equipment functioning through remote diagnostics and on-hand inspections. The MacGREGOR Onboard Care concept consists of four different service level alternatives, from basic maintenance to Total Onboard Care. Launched in 2004, MacGREGOR Onboard Care presently covers more than 350 vessels.

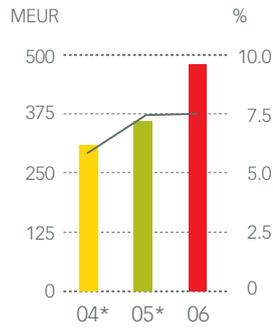
MacGREGOR aims at strengthening its local presence in order to meet market needs. In 2006, it acquired the Scottish company, Grampian Hydraulics, to expand its service offer to offshore support vessels in the North Sea. In Asia, MacGREGOR signed a cooperation agreement with China Shipping Industry Co Ltd (CIC) for establishing seven service stations at CIC repair yards.



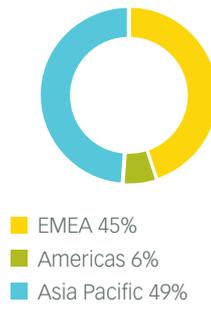
■ Orders Received*
 ■ Order Book**



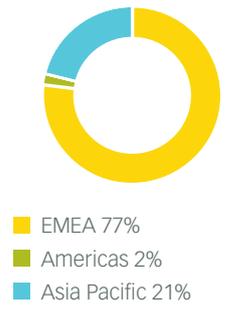
Sales and
 Operating Income (%)



Sales by Market Area



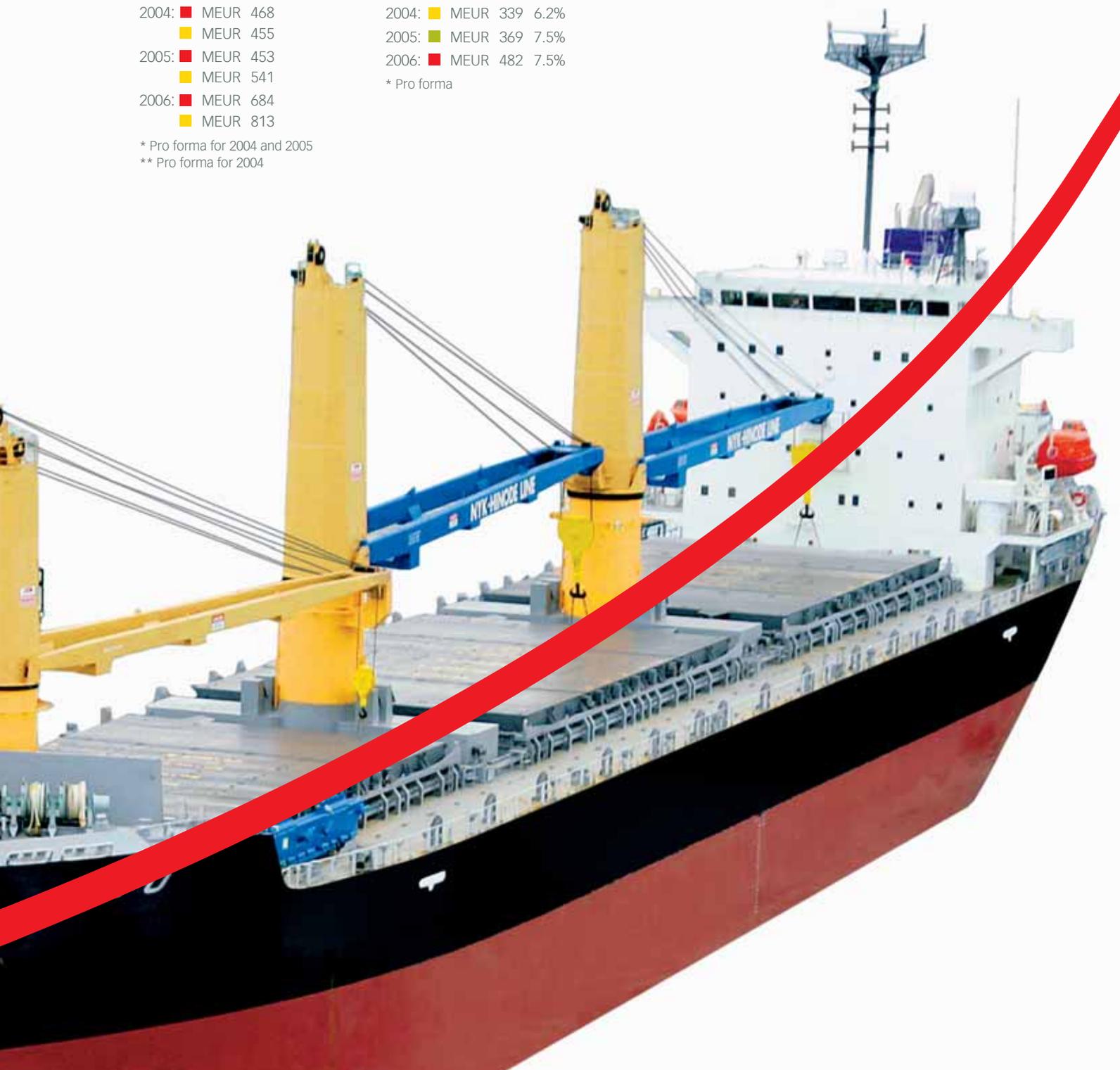
Employees by
 Market Area



2004: ■ MEUR 468
 ■ MEUR 455
 2005: ■ MEUR 453
 ■ MEUR 541
 2006: ■ MEUR 684
 ■ MEUR 813

2004: ■ MEUR 339 6.2%
 2005: ■ MEUR 369 7.5%
 2006: ■ MEUR 482 7.5%
 * Pro forma

* Pro forma for 2004 and 2005
 ** Pro forma for 2004



Environmental Considerations Emphasized in Product Development

The demand for environment-friendly solutions is growing in marine industry. In 2006, MacGREGOR focused intensely on the development of electrically driven equipment which is more energy efficient and environment-friendly and easier to use and service. MacGREGOR launched several new, electrically driven products, such as ship cranes, hatch covers and RoRo equipment as well as a stacking device designed for hatch cover handling onboard small vessels. The company is also undertaking the development of the next generation of ship crane control systems. Furthermore, MacGREGOR's Service division continued to develop remote diagnostics packages for equipment used in RoRo and dry cargo vessels.

Market Situation and the Largest Orders

Growing world trade is increasing sea transportation and cargo handling needs. The large number of vessels under construction in shipyards is fuelling demand for MacGREGOR's marine cargo flow solutions.

Demand for hatch covers was boosted by increasing interest from shipyards in outsourcing hatch cover production as well as design. New orders were received from, for example, the shipyards of the Korean Hyundai Group which ordered hatch covers for 34 container ships under construction for several ship owners. The hatch covers will be manufactured at MacGREGOR's Chinese partner plants and delivered during 2007–2008. Furthermore, orders were received for vessels under construction in China, Korea, Japan, Germany and Poland that will be delivered to several ship owners in Europe and Asia. The first electrically-powered hatch covers were sold to the Japanese shipyard, Universal.

In 2006, demand for PCTCs (pure car and truck carriers) was particularly strong. MacGREGOR secured a considerable proportion of RoRo access equipment orders for

these vessels, further strengthening its position as the leading supplier of RoRo equipment for PCTCs. MacGREGOR secured major RoRo equipment orders for 53 PCTCs for delivery to Shin Kurushima Group in Japan and Hyundai Samho Heavy Industries shipyard in Korea. Deliveries are planned for 2007–2010. Moreover, the Korean company, Daewoo Shipbuilding & Marine Engineering, ordered RoRo equipment for eight of the world's largest PCTCs, which can carry 8,000 vehicles each. The RoRo division also secured contracts from Croatian and Norwegian shipyards.

Demand for ship cranes for bulk, container and general cargo vessels increased. MacGREGOR secured significant orders from the European market including Poland and Germany. MacGREGOR also secured major ship crane orders for vessels in Asia, for container, bulk, general cargo, tanker and transloading. Cargoport, a Venezuelan company, ordered four heavy-duty cranes for transloading of iron ore while the U.S. Navy exercised the additional order option included in its renewal project by ordering two 40-ton twin ship cranes.

Focus Areas in 2007

In 2007, MacGREGOR aims at substantially growing its services business by geographical expansion and resource allocation. Through possible acquisitions, the company will accelerate its expansion into new markets, develop its existing services network, reap synergy benefits and reduce cyclicity in its business. Furthermore, special attention will be paid to strengthen the services offering incorporated in the MacGREGOR Onboard Care concept.

In product development, MacGREGOR will continue to maintain and develop its leading market position by technological leadership while also increasing the share of turnkey solutions sold to customers. The efficient management of the entire supply chain through partners will enable MacGREGOR to control product and installation quality, avoid delays in partial deliveries and ensure the continuity of its partners' operations more effectively. The company will also continue to develop its ship type based sales concept.



Sustainable Development at Cargotec

Sustainable development at Cargotec encompasses environmental, health and safety issues, economic and social responsibility as well as risk management. Cargotec aims to operate in a responsible way throughout the world, regardless of whether its operations apply to people, products or the environment.

Sustainable Development in Cargotec's Strategy

Signed by Cargotec, the Business Charter for Sustainable Development, issued by the International Chamber of Commerce, sets out principles for sustainable development.

Operations in compliance with sustainable development play an important role in the global transport chain, with increasing attention being paid to the safety, usability and energy efficiency of products and services. Key measures in the field of sustainable development relate to research and development, sourcing, production, the supply chain and recycling.

Since subcontractors and suppliers play an important part in the supply chain, Cargotec pays attention to the long-term development of processes in cooperation with its subcontractors and suppliers. This work includes planning functions, the development of manufacturing methods and the supply chain, as well as effective communications.

Management of Sustainable Development

The Group's Corporate Governance Principles define Cargotec's management and governance principles. Sustainable development is increasingly reflected in Group operational planning and control, with business areas and units being in charge of practical implementation. Cargotec has launched a project aimed at defining common indicators and creating uniform reporting principles and data collection systems, as part of its efforts to develop and harmonize its sustainable development

practices. Accordingly, each business area has a responsible person in charge of HR, environmental, health and safety, and risk management issues. The company is drawing up plans for the most important subareas of sustainable development, with key factors addressing the identification and consideration of the effects of products and operations throughout their lifecycle.

Operations Guided by Corporate Policies

In late 2006, as part of the harmonization of Group practices, Cargotec began to update its Code of Conduct, which defines shared Group practices and principles. The new Code of Conduct will be completed and adopted during 2007.

Cargotec applies Group-wide policies to its HR, environmental, health and safety, and risk management issues. In order to implement these policies, business areas have adopted an array of practical tools, such as international quality, environmental, and health and safety management systems. In revising and developing its policies, Cargotec takes account of the perspective of sustainable development.



Personnel



In order to meet its strategic growth target, Cargotec needs to increase its focus on human resources development. Therefore, personnel has been selected as one of our strategic priorities.

Based on trust, commitment and parallel employee and corporate goals, Cargotec's human resources management supports the company's business strategy. The purpose of the Group's personnel policy is to create a consistent, uniform and equal operating model for human resource management.

Personnel Structure and Changes in 2006

On December 31, 2006, Cargotec had a total of 8,516 employees, an increase of 945 persons from 2005. Of Cargotec's total employees, 17 percent were located in Finland, 26 percent in Sweden, and 27 percent in the rest of EMEA. North and South American personnel represented 14 percent, Asia Pacific 14 percent, and rest of the world 2 percent of total employees.

One of Cargotec's strategic focus areas is retaining its current employees and attracting the best people in the industry. In 2006, the company recruited personnel for various operations in Asia Pacific whereas in Europe new recruitments were made mainly for the services business.

Compensation

Cargotec rewards and encourages its employees through various remuneration systems. The Group has a top management incentive program with defined both short- and long-term targets. Furthermore, Cargotec's business areas have bonus schemes tied to financial performance and employees' personal performance goals as well as local, collective incentive schemes based on the units' financial and profitability targets. In 2006, Cargotec paid a total of EUR 300 million in salaries and remunerations.

Human Resources Development

The purpose of annual development discussions is to analyze each employee's occupational targets and personal development needs and agree on the resulting further measures, such as training or job rotation.

Cargotec continues to develop job rotation in the Group's global internal labor markets. Job rotation provides an opportunity to promote the implementation of best practices throughout the Group.

The purpose of Cargotec's annual management reviews is to draw up succession plans for leadership and key assignments and to identify potential future key people for

management positions. The management review process also helps to chart employee development needs.

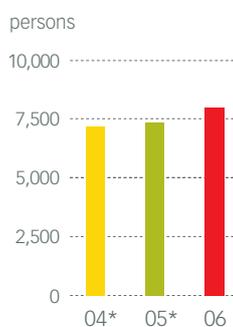
In 2006, the Group performed an extensive management development review based on an initiative by Cargotec's Board of Directors. This involved the company's top management and approximately 130 managers and key people from the business areas. The purpose of the process was to analyze these persons' core competences and chart their views and ideas on business development. The aim was also to help the participants identify their own strengths and development needs vis-à-vis Cargotec's business goals and their personal career development.

Training Programs

In 2006, Young Potentials Program, a training program for young future talents, was initiated in Hiab. 16 young employees from Sweden, the Netherlands and Spain participated in the first phase of the program, aimed at improving their self-knowledge and supervisor and communication skills.

The Leading the Move training program started in Kalmar aimed at promoting the employees' knowledge, and implementation, of strategy as well as their readiness for change. The program is also intended for developing business operations by increasing internal cooperation, promoting understanding of cultural differences, and encouraging people to seek new, better cooperation methods.

Average Number of Employees



2004: 7,201

2005: 7,388

2006: 8,026

* Pro forma

Regular Job Satisfaction Surveys

Cargotec investigates employee satisfaction through local and business area-specific job satisfaction surveys.

In addition to local job satisfaction surveys, Kalmar conducts an annual management review aimed at analyzing employees' views of their tasks and their supervisors' management skills. Based on the feedback, managers draw up personal action plans to improve their management skills.

A job satisfaction survey was carried out in MacGREGOR at the end of 2005. The results, published in early 2006, indicated the need for improving the development discussion process and internal communications. Consequently, supervisor training was organized in 2006 in conducting development discussions, and team-specific meetings discussed ways of improving internal communications and preparing for development discussions.

Cargotec's internal information flow was improved in 2006 by renewing the Corporate intranet in which, for instance, important internal bulletins, instructions and vacancies are published.

Cooperation Increases Interaction

Cargotec applies an involvement system that it has jointly developed and agreed on with its personnel. This system is based on statutory employee information and consultation requirements. At Cargotec, cooperation has been organized at Group and location level. At the firm's locations, cooperation is based on national legislation. Cooperation forums at Group level include the Cargotec Personnel Meeting in Europe, the Cooperation Committee in Finland and the Group Information Committee in Sweden. These forums convene on an annual basis while their working committees meet more frequently. In 2006, 16 staff representatives from nine different countries and six management representatives participated in the Cargotec Personnel Meeting.

Near Future Goals

In line with its growth strategy, Cargotec will increase its number of employees and invest in personnel development through recruitment and acquisitions in 2007. The company will also invest in creation and implementation of a group-wide training structure. The key training needs are introduction to new recruits, managerial training for global middle and upper management, and services training. Cargotec will during 2007 generate more detailed HR key figures for HR management and reporting purposes while launching development for an information system that will support both supervisors' HR management work and HR processes.



From an Expert into a Manager

Job rotation within Cargotec Group has helped Patrik Sjöblom, currently Managing Director of Loglift Jonsered and head of Hiab's forestry cranes product line, to grow from an expert

into a manager. M.Sc. (Econ) Sjöblom joined the Group in 1996, and financial administration took him from Finland to Sweden and the Netherlands. His interest in operative responsibility showed during development discussions resulting in product line and supervisor responsibilities.

"In 2002, I became responsible for Kalmar's European terminal tractor business. My experience in financial matters gave a holistic perspective, but managing people was a new challenge," Sjöblom says.

Sjöblom's career development was supported through extensive management training. In 2006, Sjöblom's job rotation took him to another business area, when he moved from Kalmar to Hiab.

"Terminal tractor customers are different from forestry crane customers, but otherwise there are many similarities. My experience within Cargotec and the contacts I have made over the years are a great advantage," Sjöblom affirms.



HR challenges in Asia

Bess Wong began as Human Resources Manager in Kalmar Asia Pacific Region in 2004, firstly overseeing the HR-operations of the Hong Kong office. Since 2006 her responsibilities have been

expanded, and she became HR and Administration Manager & Chief Coordinator of Kalmar's Asian Operations.

Wong's career development has been supported in many ways. Apart from participating in various operational and strategic meetings, she is encouraged to attend management development courses on subjects beyond her own 'remit'.

"Global HR networking in Kalmar has not only strengthened my knowledge of international HR practices but has also helped me align myself with the overall objectives of the company", says Wong.

Kalmar's growth in the Asia Pacific Region and globalization are some of the biggest challenges facing the HR function and Wong.

"I am travelling around various hubs in Asia, extending our assistance by building up a close working relationship with colleagues in these offices. My previous work experience in our Hong Kong office gave me a good starting point for this", says Wong.

Health and Safety

Cargotec's health and safety management is based on the Group's risk management and safety policies as well as units' health and safety management systems. The aim is to provide a safe working environment by applying high health and safety standards, based on continuous improvement in the field of health and safety.

Cargotec aims to minimize industrial injuries by means of preventive measures. Its units carry out regular health and safety audits and monitor developments in the number of injuries and trends in sick-leave absences. However, the related monitoring indicators are specific to each unit and Cargotec seeks to standardize them by adopting the

OHSAS 18001 management system and creating a standardized accident reporting and monitoring system. One of the Hiab's production units was the first to adopt the occupational health and safety management system certified under the OHSAS 18001, and Cargotec will continue to build the same system for other production units too.

Product Safety

In an effort to develop its product-development and manufacturing processes further, Cargotec pays more systematic attention to any health and safety risks that may be associated with the use of products and services. Product development and the final testing of products pay particular attention to product safety, and focus on product safety

improvements and the safety aspects of equipment throughout the product's lifecycle. Increasingly sophisticated control systems and automation improve equipment efficiency, usability and safety in operation.

Systematic services operations enhance machine safety in operation. Preventive maintenance within the service business is tasked with checking whether the use of equipment has caused any major changes critical to safety, in view of fatigue, wear and tear, corrosion and other damage.



Environment

Cargotec's environmental policy defines the company's environmental principles. The main environmental impacts of Cargotec's products are related to their use. Therefore, environmental life cycle assessments have been focused on product development and services operations.

Attention to Environmental Requirements during Product Development

Cargotec aims to help its customers improve their environmental performance with its products and services. In its product development and design, the company also aims to anticipate changes in its customers' environmental requirements. The improvement of product energy efficiency, the minimization of emissions and noise level as well as the prevention of oil leaks represent its focus areas in this respect.

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. For example, the electronic control system for the Hiab loader crane hydraulics represents the best industry practices with respect to improved product and energy efficiency. Highly advanced control systems and automation solutions enable the supply of sophisticated, environmentally preferable solutions to customers.

Following the completion of its product development projects, Kalmar reviews how it has met its environmental targets. Thanks to a lifecycle analysis carried out in the context of developing new products and major projects, Kalmar has been able to secure its products' low emission and noise levels as well as innovativeness in view of environmental issues. Serving as an example of Kalmar's pro-environmental innovations conducive to product safety, i-series tractors using the CAN-BUS control system can be steered and serviced more easily, and meet the latest environmental requirements.

MacGREGOR has developed several product innovations that help to minimize the environmental effects of products over their useful lives. In 2006, MacGREGOR launched new electrically driven products, whose product development has focused on their environmental friendliness, efficiency and cost savings throughout their lifecycle.

Quality and Environmental Management Systems Help in Operational Management

Cargotec's own manufacturing operations cause no major environmental effects. The company is increasingly focusing on product design and development, assembly and services. The certified ISO 9001 and ISO 14001 quality and environmental management systems form the basis of Cargotec's environmental management and the company's regular external audits and management audits are aimed at monitoring the achievement of the related objectives.

The certified quality and environmental management systems require systematic supplier selection criteria. Partners are selected on the basis of a supplier assessment whose content and scope are specifically regulated. The company has also incorporated various environmental requirements into purchase agreements and carries out quality audits at its partners, which increasingly include environmental issues.

Cargotec has the aim of creating certified environmental management systems for all of its production sites. Four of Kalmar's seven production units and seven of Hiab's 13 production units apply environmental management systems, certified under ISO 14001. Two of Hiab's units and three of Kalmar's are planning to certify their environmental management systems during 2007. Subsequently, certified environmental management systems will cover almost all of Cargotec's production units.

MacGREGOR has no production of its own but commissions its products from selected partners independently responsible for their production processes.

Handling environmental risks and responsibilities forms part of continuous processes. In the context of corporate acquisitions and divestments, Cargotec analyzes environmental issues as part of the due diligence process and manages any identified responsibilities according to standardized practices.

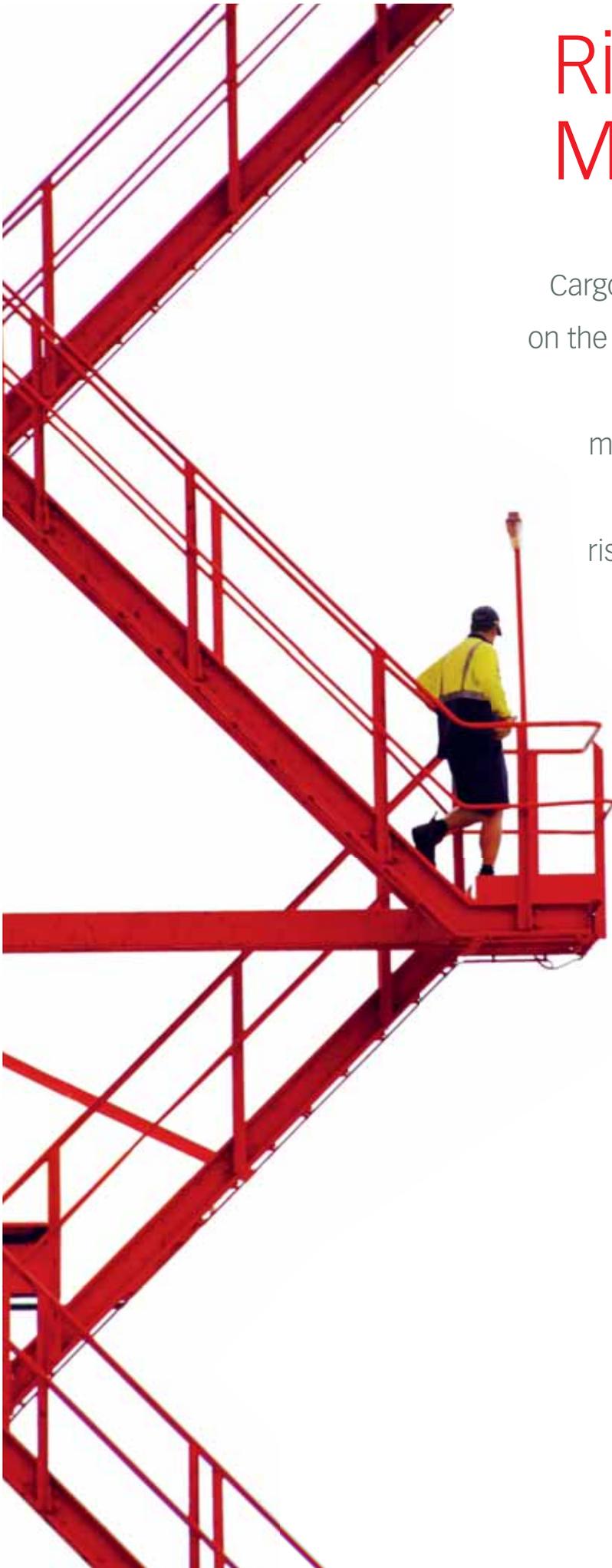




Risk Management

Cargotec's risk management is based on the Group's risk management policy that defines the company's risk management goals, principles and responsibilities. The purpose of risk management is to support the strategy and goals of the Group by anticipating the threats and risks involved in its business activities, and thus ensuring that set targets can be met.

The guiding principle is continuous, systematic and preventive activity aimed at identifying, analyzing and controlling potential risks.



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

In 2006, an action plan for Cargotec's holistic risk management was drawn up. The business areas and various units are responsible for the implementation of this plan in accordance with the confirmed targets.

At Group level, the focus areas of risk management are supplementing Group policies, principles and guidelines while ensuring the comprehensiveness and functionality of risk management throughout Cargotec Corporation. Risk management activities and tools are developed for the Group's key risk areas. Data collection, reporting and monitoring indicators are being further developed to enhance risk management and ensure its continuous improvement.

Risk Management Organization

Cargotec's President and CEO and the Executive Board 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 auditing function which 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. The 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 review and as part of corporate restructuring.

Strategic and Business Risks

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

Cargotec has prepared for these risks by attempting to identify and anticipate them in advance, making long-term procurement agreements and seeking alternative suppliers. With its increasingly outsourced production and globalizing suppliers, the company is placing greater emphasis on close cooperation with its key suppliers (Vendor Management), audits, and regular forecasts on raw material and component needs and availability as key tools for managing supply risks.

In order to further develop its risk assessments, Cargotec implemented a Group-wide analysis in 2006 to identify and evaluate supplier risks. As a result of this analysis, Cargotec was able to identify its critical suppliers and will determine measures for managing its supplier and business interruption risks. Furthermore, the Group has further specified the

scope and content of supplier audits by placing increased emphasis on risk management matters and safeguarding the continuity of operations.

Financial Risks

Cargotec's treasury operations and financial risk management principles are defined in the Group Treasury Policy. The company's financial risks are centrally managed and administered by the Group Treasury that draws up financial risk reports for the Group management on a regular basis. The financial risks involved in Cargotec's business activities include currency, interest rate, refinancing and liquidity, counterparty and operative credit risks. The company seeks to protect itself against these risks in order to ensure a financially sound basis for developing its business operations. For a more detailed description of financial risks, see Note 2 of the Financial Statements.

Operational Risks and Hazard Risks

Operational risks and hazard risks relate to persons, property, processes, products and information technology. Materialization of such risks may lead to bodily injuries, property damage, business interruption or product liability claims. In order to manage these risks, Cargotec has drawn up a program whose main activities are directed at product safety, information security development and business continuity assurance. With respect to key person risks, Cargotec draws up Group-wide succession plans for leadership and key assignments. Responsibility for the management of key operational risks and hazard risks lies in particular with the Group's risk management function and business area and unit management.

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 Group-wide insurance policies that cover all units.

The purpose of data security and risk management is to ensure the confidentiality of information and the continuous availability of business-critical data. In 2006, Cargotec harmonized its information management and information systems to support Group strategy and meet future business needs. Furthermore, a Group-wide data security policy as well as technical standards for data security were implemented. In the near future, the focus areas of risk management include the evaluation of risks involved in information systems, increasing data security awareness and implementing the right working methods.

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

Corporate Governance

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

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

General Meeting of Shareholders

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

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

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

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

It is the company's aim that all members of the Board and

the President and CEO be present in the General Meeting, and that a candidate standing for the Board for the first time attend the General Meeting deciding on the election unless he or she has a substantive reason to be absent.

During Cargotec's financial period of January 1–December 31, 2006, the Annual General Meeting was held on February 28, 2006.

Board of Directors

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

Cargotec's Annual General Meeting of February 28, 2006 confirmed the number of members in the Board of Directors as six according to the proposal of the Nomination and Compensation Committee. Henrik Ehrnrooth, Tapio Hakakari, Ilkka Herlin, Peter Immonen and Karri Kaitue were re-elected as full members of the Board of Directors. Carl-Gustaf Bergström was elected as a member of the Board from May 1, 2006, on which day he handed over his duties as Cargotec's President and CEO to his successor, Mikael Mäkinen. Antti Herlin stepped down from the Board as of February 28, 2006.

The Board of Directors elected Ilkka Herlin as Chairman and Henrik Ehrnrooth as Deputy Chairman of the Board. Kari Heinistö, Senior Executive Vice President and CFO, acts as Board secretary. With the exception of Carl-Gustaf Bergström, the members of the Board are independent of the company and, with the exception of Ilkka Herlin, also independent of significant shareholders in the company. Ilkka Herlin, Chairman of the Board, is one of the largest owners of Cargotec, holding over 20 percent of the votes and over 10 percent of the shares of the company.

The members of the Board of Directors are presented on page 38 and their share and option holdings on December 31, 2006 on page 37 of this annual report.

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

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

The Board elects Cargotec's President and CEO and de-

cides on the terms of employment. Furthermore, the Board confirms the company's strategic plans and annual action plans as well as significant acquisitions and investments and approves the company's risk management principles.

Cargotec's Board of Directors convened 10 times during 2006 with an average attendance rate of 98 percent.

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

Committees of the Board of Directors

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

Audit Committee

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

The Audit Committee consists of a minimum of three Board members. In 2006, Karri Kaitue acted as the chairman of the Audit Committee, while Ilkka Herlin and Peter Immonen acted as members of the committee. The committee convened four times during the financial period.

Nomination and Compensation Committee

The task of the Nomination and Compensation Committee is to prepare a proposal to Cargotec's Annual General Meeting concerning the composition and remuneration of the Board. Furthermore, the committee prepares a proposal to the Board of Directors regarding the appointment of the President and CEO and the terms of employment. It is also the committee's duty to ensure that the resourcing of the company management is appropriate and that their salary

and other terms are competitive. Management here refers to the President and CEO, the Executive Board, and persons reporting primarily to members of the Executive Board. The Nomination and Compensation Committee confirms these company management members and considers, principally once a year, their salary adjustments, bonus principles, bonuses earned, and succession planning. Furthermore, the committee's tasks include preparing stock option, share, and other employee incentive programs as well as preparing proposals concerning the company's voluntary pension schemes and presenting them to the Board of Directors.

The Nomination and Compensation Committee consists of a minimum of three Board members. The committee convenes as needed but at least three times a year. In 2006, Ilkka Herlin acted as chairman of the Nomination and Compensation Committee, while Carl-Gustaf Bergström, Tapio Hakakari and Peter Immonen acted as members of the committee. The committee convened six times during the financial period.

President and CEO and the Executive Board

The Board of Directors elects Cargotec's President and CEO and determines the terms of employment. On February 8, 2006, Cargotec's Board of Directors appointed Mikael Mäkinen, M.Sc. (Eng.) Naval Architect, as the new President and CEO of Cargotec Corporation. Mäkinen joined Cargotec on April 1, 2006 and became President and CEO on May 1, 2006. Cargotec's previous President and CEO, Carl-Gustaf Bergström, retired in June 2006 and started as a member of the Board from May 1, 2006.

Cargotec's President and CEO is responsible for ensuring that the targets, plans, guidelines, and goals set by the Board of Directors are carried out within Cargotec. The President and CEO also ensures that the accounting practices of the company comply with law and that the financial matters are handled in a reliable manner. The employment terms of Cargotec's President and CEO are defined in a written employment contract. Cargotec's Senior Executive Vice President acts as Deputy to the President and CEO.

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

Cargotec's Executive Board comprises ten members. In 2006, the following changes took place in the Executive Board. On September 15, Olli Isotalo, M.Sc. (Eng.), started as President of MacGREGOR after his predecessor, Hans Pettersson, joined another company. As of November 1, Harald de Graaf, B.Sc. (Eng.), was appointed Senior Vice President, Services, while Matti Sommarberg, M.Sc. (Eng.) and M.Sc. (Econ.), was appointed Senior Vice President, Operations Development. Furthermore, Kirsi Nuotto, M.A., was appointed Senior Vice President, Human Resources, as of November 20. Tor-Erik Sandelin, Senior Vice President responsible for Cargotec's Service Business Development, retired at the end of March 2006.

The President and CEO and other members of the Executive Board are presented on page 40 and their share and option holdings are presented on page 37 of this annual report.

Compensation

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

In accordance with the decisions taken by Cargotec's Annual General Meeting of February 28, 2006, the following remunerations are paid to the members of the Board of Directors: a monthly remuneration of EUR 5,000 for the Chairman, EUR 3,500 for the Deputy Chairman, and, respectively, EUR 2,500 for the other board members, unless a board member is otherwise compensated by the company in his or her position as an employee or the like. In addition, a remuneration of EUR 500 is paid for attendance at the meetings of the Board and its committees. Expenses are compensated against an invoice. In 2006, a total of EUR 243,980 was paid in Board remunerations.

The salaries, bonuses and other monies paid to members of the Board, the President and CEO, and the Senior Executive Vice President during the financial period totaled EUR 1,393,095. For a more detailed specification of the salaries and remunerations paid to these persons, see Note 30 of the Financial Statements.

Compensation for the President and CEO and other members of the Executive Board comprises a fixed base salary and a bonus, which is based on the achievement of Cargotec's financial and personal targets. The bonus amount is determined by the Nomination and Compensation Committee of the Board, the maximum annual bonus being 50 percent of the annual salary for the President and CEO and 33–50 percent for other members of the Executive Board.

The bonus scheme of seven members of the Executive Board is supplemented by a top management incentive scheme that was approved by the Board of Directors in July 2005. The scheme is tied to the company's share performance for July 2005–February 2007 and pro forma net income for 2005–2006. The scheme ends in March 2007. The scheme covered 33 members of Cargotec's top management on December 31, 2006. As part of the scheme, the Board has allocated 20,660 Cargotec 2005B option rights pertaining to Cargotec's option program to the incentive scheme. Of this amount, 6,000 option rights have been allocated to seven members of the Executive Board and to Cargotec's previous President and CEO.

On December 31, 2006, Cargotec's previous President and CEO, currently a member of Cargotec's Board, Carl-Gustaf Bergström, held a total of 1,000 Cargotec 2005A option rights and 2,000 Cargotec 2005B option rights originating from the 2004 Option Program of the demerged Kone Corporation. Furthermore, he is a member of the company's

top management incentive scheme that will expire in March 2007. Carl-Gustaf Bergström's compensation as President and CEO during January 1–April 30, 2006 consisted of a base salary and bonus based on achievement of Cargotec's financials targets. The base salary was EUR 247,231 including benefits while his bonus was EUR 197,176.

The base salary of Mikael Mäkinen, Cargotec's President and CEO from May 1, 2006, for the period May 1–December 31, 2006 was EUR 282,592 including benefits. Mr. Mäkinen's bonus for the same period was EUR 47,250.

On December 31, 2006, the President and CEO held no Cargotec option rights, while three other members of the Executive Board held a total of 1,000 Cargotec 2005A option rights and 5,000 Cargotec 2005B option rights. Both the 2005A and 2005B option rights originate from the 2004 Option Program of the demerged Kone Corporation.

The period of notice of the President and CEO is six months and he has the right to a compensation for termination of employment of 12 months. Other members of the Executive Board have a period of notice of 6–12 months and are entitled to compensation for termination of employment corresponding to a maximum of 6–12 months' salary. Two members are entitled to retire at the age of 60. In this case, the pension received corresponds to 60 percent of the pensionable salary. This arrangement has been covered with insurances taken out by the company.

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

External Audit

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

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

The auditors are elected annually in the General Meeting of Shareholders and their assignment expires at the end of the first Annual General Meeting following the election. PricewaterhouseCoopers Oy has acted as Cargotec's auditor since the beginning of the company's first financial period, June 1, 2005. Cargotec's Annual General Meeting of February 28, 2006 elected authorized public accountants Johan Kronberg and PricewaterhouseCoopers Oy as auditors of Cargotec according to the proposal of the Audit Committee of Cargotec's Board of Directors. PricewaterhouseCoopers nominated Authorized Public Accountant Jouko Malinen as its principal auditor. Auditors' fees are compensated against an invoice. For the financial period, the Group companies' audit

fees totaled EUR 2.3 million (Jun 1–Dec 31, 2005: 2.2), while EUR 0.9 million (Jun 1–Dec 31, 2005: 0.7) was paid in non-audit fees to the auditing firm.

Internal Control

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

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

Risk Management

For a more detailed description of risks and risk management, see page 32 of this Annual Report. Financial risks are specified in Note 2 of the Financial Statements.

Insiders

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

In compliance with the Finnish Securities Markets Act, Cargotec's permanent public insider register comprises, due to their positions, the members of the Board, the President and CEO, the auditors, and members of the Executive Board.

Persons employed by the company who, on account of their position or duties, have regular access to insider information form Cargotec's permanent company-specific group of insiders. Those persons who on the basis of an employment or other contract work for the company and obtain insider information associated with a specific project are considered the company's project-specific insiders. In addition to the public insider register, the company maintains a permanent company-specific insider register and a project-specific insider register.

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

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

Communications

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

Cargotec's Board of Directors' and Executive Board's direct shareholdings, option holdings and controlled corporations on Dec 31, 2006

	Class A shares	Change*	Class B shares	Change*	2005A options	Change*	2005B options	Change*
Ilkka Herlin	2,940,067		4,060,000	360,000				
Henrik Ehrnrooth			20,000					
Carl-Gustaf Bergström			8,000		1,000		2,000	
Tapio Hakakari			97,900	27,900		-1,700		-1,600
Peter Immonen			27,000	8,000				
Karri Kaitue								
Mikael Mäkinen								
Kari Heinistö			8,000		1,000		2,000	
Lauri Björklund			4,000					
Harald de Graaf			3,075					
Christer Granskog			14,000				1,000	
Olli Isotalo			4,060					
Eeva Mäkelä			4,100					
Kirsi Nuotto								
Matti Sommarberg			4,000					
Pekka Vartiainen			8,000				2,000	

* Changes during the financial year Jan 1–Dec 31, 2006 or since the person joined the insider register.

The Board of Directors

1. Ilkka Herlin (b. 1959)

Ph.D

Chairman of the Board

Board member since July 12, 2005

Chairman of Cargotec's Nomination and Compensation Committee

Member of Cargotec's Audit Committee

Chairman of the Board of Directors of Sijoitus-Wipunen Oy

Member of the Board of Directors of D-sijoitus Oy,

Mariatorp Oy, WIP Asset Management Ltd and

Finnish Foundation for Share Promotion

Chairman of the Board of Directors of

WIP Asset Management Ltd, 2000–2005

Member of the Board of Directors of

KONE Corporation, 1990–2000

Managing Director of Security Trading Oy, 1987–2000

2. Henrik Ehrnrooth (b. 1954)

M.Sc. (Forest Economics), B.Sc. (Econ.)

Deputy Chairman

Independent member

Board member since July 12, 2005

Chairman of the Board of Directors of Pöyry Plc and

Evox Rifa Group Plc

Member of the Board of Directors of Oy Forcit Ab and

Otava Books and Magazines Group Ltd

Vice Chairman of the Board of Directors of

Jaakko Pöyry Group, 1997–2002

Chief Executive Officer of Jaakko Pöyry Group, 1995–1997

3. Carl-Gustaf Bergström (b. 1945)

B.Sc. (Econ.), Honorary Mining Counselor

Board member since May 1, 2006

Member of Cargotec's Nomination and

Compensation Committee

Member of the Board of Directors of

Outokumpu Technology Oyj, Dacke PMC Holding Ab and

Technology Industries of Finland

Chairman of the Trade Policy Committee of the Confederation of Finnish Industries, EK, 2005–2006

Employed by Cargotec Corporation 1970–2006:

President and CEO, 2002–2006

Senior Executive Vice President, 1986–2002

President, Hiab, 1985–1997

4. Tapio Hakakari (b. 1953)

Master of Laws

Independent member

Board member since July 12, 2005

Member of Cargotec's Nomination and

Compensation Committee

Chairman of the Board of Directors of Esperi Care Oy

Member of the Board of Directors of Etteplan Group,

Martela Oyj and Suomen Autoteollisuus Oy

Director, Secretary to the Board of Directors of

KONE Corporation, 1998–2006

Director Administration of KCI Konecranes Plc, 1994–1998

Worked for Kone Corporation 1983–1994

5. Karri Kaitue (b. 1964)

LL. Lic.

Independent member

Board member since July 12, 2005

Chairman of Cargotec's Audit Committee

Vice Chairman of the Board of Directors of Okmetic Group

and Outokumpu Technology Oyj

Employed by Outokumpu Group since 1990:

Deputy Chief Executive Officer of Outokumpu Group and Vice

Chairman of the Group Executive Committee

6. Peter Immonen (b.1959)

M.Sc. (Econ.)

Independent member

Board member since July 12, 2005

Member of Cargotec's Audit Committee

Member of Cargotec's Nomination and

Compensation Committee

Chairman of the Board of Directors of

WIP Asset Management Oy 1995–2001 and since 2005,

Member of the Board of Directors of Mariatorp Oy,

Sijoitus-Wipunen Oy and the Finnish Shareholders Association

Managing Director of WIP Asset Management Oy, 2003–2005



Executive Board

1. Mikael Mäkinen (b. 1956)

President and CEO, Cargotec Corporation

M.Sc. (Eng.) Naval Architect

Employed by Cargotec Corporation since 2006

Primary working experience:

Employed by Wärtsilä Corporation 1982–2006:

Group Vice President, Ship Power, 1999–2006

Managing Director, Wärtsilä NSD Singapore, 1997–1998

Vice President, Marine, Wärtsilä SACM Diesel, 1992–1997

Other current key positions of trust:

Member of the Board of Directors of Volvo Penta Ab and Delta-Sigma Ltd

2. Kari Heinistö (b. 1958)

Senior Executive Vice President and CFO,
Cargotec Corporation

M.Sc. (Econ.)

Employed by Cargotec Corporation since 1983

Primary working experience:

Chief Financial Officer, 1993–2000

Other current key positions of trust:

Member of the Board of Directors of Suomen Autoteollisuus Oy and Scout Foundation

3. Olli Isotalo (b. 1959)

President, MacGREGOR

M.Sc. (Eng.)

Employed by Cargotec Corporation since 1993

Primary working experience:

President, Bromma Conquip, 2003–2006

Managing Director, Velsa Oy, 1999–2002

VP, Technology and Production Development,
Kalmar Industries AB, 1997–1999

4. Christer Granskog (b. 1947)

President, Kalmar

M.Sc. (Eng.)

Employed by Cargotec Corporation since 1994

Primary working experience:

President, Sisu Corporation, 1994–1997

President, Valmet Automation Inc., 1990–1994

Other current key positions of trust:

Member of the Board of Directors of Rautaruukki Corporation and Sarlin Oy Ab

5. Pekka Vartiainen (b. 1956)

President, Hiab

M.Sc. (Eng.)

Employed by Cargotec Corporation since 2003

Primary working experience:

Employed by ESAB Corporation 1983–2003:

Regional Director, Scandinavia, 2000–2003

President, Oy ESAB, 1998–2003

President, ESAB Nederland B.V., 1995–1998



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6. Harald de Graaf (b. 1965)
Senior Vice President, Services, Cargotec Corporation
B.Sc. (Eng)
Employed by Cargotec Corporation since 2006
Primary working experience:
Employed by Kone Corporation 1987–2006:
Managing Director, KONE Ireland Ltd., 2004–2006
Vice President Marketing, New Equipment
Business, 2000–2004
Product Marketing Manager, 1997–2000

7. Kirsi Nuotto (b. 1959)
Senior Vice President, Human Resources,
Cargotec Corporation
M.A. (French, Communications)
Employed by Cargotec Corporation since 2006
Primary working experience:
Employed by GlaxoSmithKline Finland 2001–2006:
Human Resources and Customer Education Director, 2006
Human Resources and Communications Director, 2004–2005
Human Resources Director, 2001–2004
Director, Global Education, Datex-Ohmeda, 1998–2001

8. Matti Sommarberg (b. 1961)
Senior Vice President, Operations Development,
Cargotec Corporation
M.Sc. (Eng.), M.Sc. (Econ.)
Employed by Cargotec Corporation since 1985
Primary working experience:
Vice President, Business and Operations Development,
Kalmar, 1998–2006
Senior Vice President, EMEA, Sisu Terminal Systems, 1997
Senior Vice President, MHE Business,
Sisu Terminal Systems, 1994–1996

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

10. Lauri Björklund (b. 1953)
Senior Vice President, Production and Purchasing,
Cargotec Corporation
M.Sc. (Eng.)
Employed by Cargotec Corporation since 2002
Primary working experience:
Employed by Kone Corporation 1972–2002:
SVP, Manufacturing and Purchasing, 1996–2002
Director, Manufacturing and Logistics, Kone Elevators and
Escalators, 1993–1996
Other current key positions of trust:
Member of the Board of Directors of Suomen Laatu yhdistys ry
and Suomen Konepajainsinööri yhdistys ry
Member of Delegate Council of Helsinki Region Chamber of
Commerce



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Major Stock Exchange and Press Releases Year 2006

January

Jan 18, 2006 Cargotec's Preliminary Information on Year 2005 Performance
Jan 20, 2006 Cargotec to Automate Container Port in Hamburg
Jan 24, 2006 Cargotec Receives Large RoRo Equipment Order
Jan 24, 2006 Cargotec Receives Straddle Carrier Order from South Africa
Jan 26, 2006 Cargotec Acquires Tail Lift Producer AMA
Jan 31, 2006 Cargotec Financial Statements Review for June 1–December 31, 2005
Jan 31, 2006 Cargotec Pro Forma Review January–December 2005

February

Feb 9, 2006 Mikael Mäkinen Appointed New President and CEO of Cargotec Corporation as of May 1, 2006
Feb 28, 2006 Decisions Taken at Cargotec Corporation's Annual General Meeting
Feb 28, 2006 Ilkka Herlin re-elected as Chairman of the Board of Cargotec Corporation
Feb 28, 2006 Cargotec to Start Share Repurchases

March

Mar 3, 2006 Cargotec Receives Hatch Cover Order from Germany
Mar 6, 2006 Changes in Cargotec's Executive Committee
Mar 9, 2006 Cargotec to Supply Hatch Covers for 34 Ships
Mar 16, 2006 Cargotec to Acquire US Port Service Company ECC
Mar 31, 2006 Cargotec Receives Straddle Carrier Order from Jamaica
Mar 31, 2006 Cargotec Receives RoRo Equipment Order for Two High Speed Ferries

April

Apr 12, 2006 Cargotec to Supply Hatch Covers for Additional 17 Ships
Apr 24, 2006 Cargotec's Interim Report for January–March 2006

May

May 2, 2006 Cargotec Receives RTG Order from South Africa
May 15, 2006 Cargotec Receives Significant RoRo Equipment Orders for 53 Car Carriers

June

Jun 1, 2006 Cargotec Receives RoRo Equipment Orders for 10 vessels
Jun 6, 2006 Cargotec to Supply Hatch Covers for 24 Container Ships
Jun 12, 2006 Cargotec Expands into Dry Bulk Handling by Acquiring BMH Marine
Jun 20, 2006 Change in Cargotec's Executive Committee

July

Jul 7, 2006 Cargotec Sells Land in Tampere, Finland
Jul 11, 2006 Cargotec Receives Service Contract from India
Jul 19, 2006 Cargotec's Interim Report for January–June 2006
Jul 31, 2006 Cargotec's BMH Marine Acquisition Approved

August

Aug 11, 2006 Cargotec to Acquire Ship Hydraulics Service Company Grampian Hydraulics

September

Sep 1, 2006 Cargotec to Expand its Operations in South Africa
Sep 14, 2006 Cargotec Expands Distribution and Service Network in Belgium
Sep 25, 2006 Cargotec Strengthens Its Executive Board

October

Oct 10, 2006 Cargotec Appoints Kirsi Nuotto as SVP, Human Resources
Oct 19, 2006 Cargotec's Interim Report for January–September 2006

November

Nov 2, 2006 Cargotec's Catracom Acquisition Approved
Nov 9, 2006 Cargotec Appoints Soili Mäkinen as Chief Information Officer
Nov 14, 2006 Cargotec Receives RoRo order from South Korea

December

Dec 7, 2006 Cargotec Signs Significant Service Contract for Load Handling Equipment
Dec 14, 2006 Cargotec Receives Order for 20 Shuttle Carriers® from U.S.A
Dec 18, 2006 Cargotec Strengthens its Presence in Spain
Dec 27, 2006 Cargotec to Issue EUR 225 Million Private Placement
Dec 29, 2006 Cargotec Acquires Italian CVS Ferrari
Dec 29, 2006 Cargotec Wins STS-Crane Order for New Port in Helsinki

All the stock exchange releases, stock exchange announcements and press releases for 2006 are available at www.cargotec.com/media.

Board of Directors' Report

Cargotec Corporation has been listed on the Helsinki Stock Exchange since June 1, 2005. The comparative figures presented in this report for the period January–December 2005 are provided as additional information and are unaudited pro forma figures. The comparative figures for June–December 2005 are audited figures based on Cargotec's first official financial period. Year 2006 figures are audited.

Business Environment

Hiab's load handling equipment markets were buoyant in 2006. During the first half of the year, the markets were strong in North America and Europe due to the lively demand for new trucks. Demand was further boosted by customers preparing for new requirements on equipment and tighter emission standards that became effective during 2006. During the second half of the year, demand for load handling equipment continued to be high in Europe whereas in North America the markets leveled off, particularly with respect to equipment used in building materials supply. In Asia, the load handling equipment markets were stable and demand grew towards the end of the year. Demand for maintenance and spare parts was high in all geographical regions.

Demand was strong for Kalmar's container handling equipment in 2006. In Europe and Asia, demand was high throughout the year and began to strengthen in South America towards the end of the year. Demand for reach-stackers was record high and the markets for yard cranes, straddle carriers and terminal tractors were also very good. Demand for heavy industrial handling equipment continued to be healthy. Services provided by Kalmar were in brisk demand in all markets thanks to high port and terminal utilization rates and customers continuing to outsource their service activities.

Demand for MacGREGOR marine cargo flow solutions was high in 2006. The markets for hatch covers, ship cranes and cargo securing equipment used in container ships and general cargo vessels were buoyant as shipbuilding activities remained lively. Increased orders for PCTCs (pure car and truck carriers) at shipyards were reflected in high demand for the RoRo division's solutions throughout the year. Bulk handling equipment markets were strong. Demand for MacGREGOR's services was healthy.

Orders Received

Orders received by Cargotec in January–December 2006 totaled EUR 2,910 (1–12/2005: 2,385) (6–12/2005: 1,366) million. Especially significant was the growth in MacGREGOR's orders received. A considerable part of MacGREGOR's orders will be delivered during 2008–2009. During the fourth quarter, orders received were EUR 716 (10–12/2005: 591) million.

Hiab

Hiab's orders accounted for EUR 946 (1–12/2005: 831) (6–12/2005: 476) million of the total orders received in 2006 while its share of the orders received in October–December was EUR 241 (10–12/2005: 235) million.

In December, Hiab signed a major service contract for load handling equipment. This contract covers the servicing of Hiab loader cranes and demountables in 548 Scania trucks used by the Dutch army. The contract's duration with Scania is 13 years and it is worth approximately EUR 30 million.

During the fourth quarter, Hiab secured an order for over 100 loader cranes from Thailand. These will be delivered to various Thai municipalities during 2007.

In December, MAN ordered an additional 88 military-purpose loader cranes for vehicles that will be delivered to the British Army.

During the second half of the year, Hiab received several major orders for truck-mounted forklifts and loader cranes from its main U.S. customers, further strengthening its market position in the region.

In March, Hiab signed a cooperation agreement with the Suez Environment (SITA) waste management company, making Hiab the preferred pan-European supplier of demountables for SITA.

Kalmar

Kalmar's orders accounted for EUR 1,282 (1–12/2005: 1,103) (6–12/2005: 628) million of the total orders received in 2006 while its share of the orders received in October–December was EUR 327 (10–12/2005: 230) million.

In December, Kalmar secured an order from Finnsteve for four ship-to-shore (STS) cranes to the new Vuosaari port in Helsinki, Finland. The cranes will be up and running by November 2008.

During the fourth quarter, Kalmar also received an order for 20 shuttle carriers from the United States and 13 E-One rubber-tired gantry (RTG) cranes from South America. The shuttle carriers will be delivered to APM Terminals' new container terminal in Portsmouth, Virginia during 2007. The RTGs will be delivered during 2007 to the Peruvian terminal operator, Neptunia SA, to Terminal Pacifico Sur Valparaiso in Chile and to the Port of Trinidad and Tobago.

During the third quarter, Kalmar signed a five-year service contract for 29 RTGs with Gateway Terminals India Pvt Ltd. This contract covers maintenance, engineering support, daily inspections and parts supply, among other things.

During the second quarter, Kalmar received an order for 12 E-One RTGs from South African Port Operations (SAPO) for the port of Durban. Deliveries will begin in the spring of 2007. The order was a continuation to the January order of 25 straddle carriers.

During the first quarter, Kalmar received an order for 24 straddle carriers from the Port Authority of Jamaica. Deliveries to Kingston Container Terminal were finalized in mid-2006.

In January, Kalmar signed an agreement with HHLA for the delivery of an automatic stacking crane system (ASC) and the related technology for the Port of Hamburg. Kalmar will deliver 15 ASCs and their control and automation systems during 2007–2008. The contract includes an option to deliver an additional 75 ASCs and their control and automation systems in the project's subsequent phases.

MacGREGOR

MacGREGOR's orders accounted for EUR 684 (1–12/2005: 453) (6–12/2005: 263) million of the total orders received in 2006 while its share of the orders received in October–December was EUR 149 (10–12/2005: 126) million.

In November, the Korean company, Daewoo Shipbuilding & Marine Engineering, ordered MacGREGOR RoRo equipment for four of the world's largest PCTCs, which will be delivered to Wallenius Wilhelmsen Logistics by the end of 2008. The order is worth approximately EUR 15 million. The fourth quarter also saw MacGREGOR securing orders for 84 ship cranes from various shipyards in China. The cranes will be delivered during 2007–2009 for container vessels and multi-purpose vessels under construction. The total value of the orders is approximately EUR 25 million.

During the third quarter, MacGREGOR secured orders for 55 ship cranes, which will be delivered to Asia during 2007–2008. The total value of the orders is approximately EUR 15 million. During the same quarter, MacGREGOR also sold hatch covers for 12 bulk ships that are under construction in a Japanese shipyard. The hatch covers to be delivered are the first electronically-driven covers developed by the company.

During the second quarter, MacGREGOR received hatch cover orders from various European and Asian shipyards. During 2007–2009, the company will deliver hatch covers for over 30 container ships being built in various shipyards in Europe.

MacGREGOR also received a high number of orders for RoRo equipment during the second quarter. The company will deliver RoRo equipment for 10 vessels during 2006–2008, the total value of these orders being approximately EUR 17 million. Other major orders included an order for RoRo equipment for 53 pure car and truck carriers (PCTCs). The equipment will be delivered to Shin Kurushima Group in Japan and Hyundai Samho Heavy Industries' shipyard in Korea during 2007–2010. The total value of these orders is approximately EUR 65 million.

During the first quarter, MacGREGOR secured several RoRo and hatch cover orders. The company will deliver RoRo solutions for vessels under construction for Norwegian Color Line during 2007–2008, the order being worth approximately EUR 9 million. In March, MacGREGOR received

hatch cover orders from shipyards of the Korean Hyundai Group. The hatch covers will be delivered for 34 container ships during 2007–2008, the total value of the orders being approximately USD 40 million. MacGREGOR also secured a hatch cover order from the German shipyard JJ Sietas for four heavy lift cargo ships ordered by the specialist operator, SAL.

In January, MacGREGOR received a major order for RoRo access equipment for five multi-purpose RoRo ships for the Italian shipowner, Grimaldi Group (Naples). The RoRo equipment, worth approximately EUR 9 million, will be delivered in 2007–2009.

In the first quarter of 2006, MacGREGOR received a large number of ship crane orders from various shipyards in Poland, China, Korea, Singapore and Venezuela as well as from the U.S. Navy. The ship crane deliveries take place during 2006–2008 and the value of the orders is approximately EUR 15 million.

Order Book

Cargotec's order book grew by 29 percent in 2006 and totaled EUR 1,621 (December 31, 2005: 1,257) million on December 31, 2006, Hiab accounting for EUR 215 (197) million, Kalmar for EUR 593 (520) million and MacGREGOR for EUR 813 (541) million. A considerable part of MacGREGOR's order book will be delivered in 2008–2009.

Net Sales

Cargotec's net sales grew by 10.1 percent in 2006 and totaled EUR 2,597 (1–12/2005: 2,358) (6–12/2005: 1,419) million. Growth excluding the sales impact from acquisitions completed during the year was 8.1 percent. Net sales for the fourth quarter reached a record level at EUR 697 (10–12/2005: 622) million despite certain deliveries being pushed over the year-end. Hiab's net sales in the fourth quarter amounted to EUR 239 (10–12/2005: 231) million, Kalmar's net sales were EUR 321 (288) million and MacGREGOR's net sales EUR 138 (103) million.

Cargotec's services business grew by 16 percent year on year with revenue totaling EUR 572 (1–12/2005: 492) (6–12/2005: 300) million, representing 22 percent of net sales. Hiab's services business in 2006 represented 15 (13) percent of net sales, Kalmar's 26 (23) percent, and MacGREGOR's 27 (32) percent.

Financial Result

Cargotec's operating income from operations during 2006 improved significantly and reached EUR 221.7 (1–12/2005: 179.4) (6–12/2005: 113.1) million, representing 8.5 (1–12/2005: 7.6) (6–12/2005: 8.0) percent of net sales. Operating income from operations for the fourth quarter was EUR 57.7 (10–12/2005: 52.7) million, equal to 8.3 (8.5) percent of net sales. Hiab accounted for EUR 22.7 (20.1) million of fourth quarter operating income from operations, Kalmar for EUR 28.2 (27.0) million and MacGREGOR for EUR 9.7 (8.5) million.

Including the EUR 17.8 million capital gain recorded in July, 2006 from the divestment of property Cargotec's operating income for January–December totaled EUR 239.5 million. The pro forma operating income for January–December 2005 was EUR 194.8 (6–12/2005: 124.6) million including a EUR 15.4 million one-time capital gain from the sale of Consolis.

Net income for January–December 2006 was EUR 166.1 (1–12/2005: 136.6) (6–12/2005: 87.4) million and earnings per share were EUR 2.57 (1–12/2005: 2.11) (6–12/2005: 1.35).

Balance Sheet, Financing and Cash Flow

At the end of December 2006, Cargotec's net working capital amounted to EUR 209 (December 31, 2005: 206) million. Tangible assets on the balance sheet were EUR 218 (196) million and intangible assets EUR 581 (487) million.

Cash flow from operating activities before financial items and taxes for January–December 2006 was strong totaling EUR 249.8 (1–12/2005: 194.1) (6–12/2005: 173.7) million. In addition to the good operative result cash flow was strengthened by prepayments received on large contracts. The cash flow from operating activities before financial items and taxes for October–December amounted to EUR 71.0 (10–12/2005: 78.5) million.

Return on equity for January–December 2006 was 20.2 (1–12/2005: 19.2) (6–12/2005: 20.8) percent.

Net debt on December 31, 2006 was EUR 107 (December 31, 2005: 121) million. Total equity/total assets ratio was 47.6 (46.2) percent while gearing was 12.3 (15.7) percent.

Cargotec had EUR 432 million in committed credit facilities on December 31, 2006. These facilities were unused. In order to diversify its funding structure and finance its growth, Cargotec placed a EUR 225 million private placement with U.S. institutional investors in December 2006. 14 U.S. institutional investors participated in the transaction. The placement carries maturities ranging between 7 and 12 years and will be funded in February 2007.

New Products and Product Development

In 2006, Cargotec's research and development expenditure was EUR 31.3 (1–12/2005: 29.7) (6–12/2005: 17.5) million, representing 1.2 (1–12/2005: 1.3) (6–12/2005: 1.2) percent of net sales.

In the fourth quarter, Hiab founded a new, centralized product development organization in order to better utilize and coordinate its product development resources in its loader crane, forestry crane and demountables product lines.

In 2006, Hiab launched 17 new products as a result of active product development in all product lines. Hiab supplemented its loader crane range by launching the HIAB XS 477, whose hoisting capacity is 40–44 tons, and expanded its remote control unit range for loader cranes by introducing new models. Furthermore, the company supplemented its XR hooklift systems range by launching new XR 10 and

XR 21 hooklifts. In North America and Europe, Hiab complemented its truck-mounted forklift product line with a 4-way travel model allowing easier delivery of loads in tight access areas.

In Europe, Hiab presented a new tail lift with a hoisting capacity of 450–750 kilos. Hiab also supplemented its tail lifts range in North America by launching a new rail-type lift-gate, designed for heavy use. The company also expanded its forestry crane range with a new model designed for full tree harvesting. In the largest volume category, Hiab introduced the new JONSERED J1080 forestry crane that can be equipped with a digital control system. In the fourth quarter, Hiab launched the JONSERED 1300 forestry crane, which utilizes the XSDrive remote control unit developed for loader cranes.

In 2006, Kalmar continued to invest in developing the automation of its equipment. Kalmar launched the Fleetview fleet control system which can be used to monitor straddle carriers, reachstackers, forklift trucks, terminal tractors and RTGs. Fleetview allows real-time monitoring of equipment, enabling the assignment of container handling tasks to the nearest vacant machine, thus shortening transportation distances and minimizing unladen traveling distances.

Kalmar developed a new measuring system for the automatic stacking cranes (ASCs) that it will deliver to HHLA. Thanks to the new system, which combines camera and laser technology, the ASC spreader identifies the container position from several angles, enabling the container to be placed in the right position more quickly and precisely.

In 2006, Kalmar launched a new, heavy forklift truck model as well as a new RoRo terminal tractor equipped with a fully electronic control system for the European and Asian markets. The terminal tractor has longer service intervals and meets the latest environmental regulations.

MacGREGOR developed electrically driven marine cargo handling equipment in 2006. In the third quarter, the company introduced electronic ship cranes, hatch covers, hatch cover stackers and RoRo equipment representing the fruits of its several years of extensive product development work. Electrically driven products are environmentally-friendly, cost-efficient and easy to maintain. Electrical operation also enables remote monitoring of the equipment.

Capital Expenditure

Cargotec's capital expenditure for January–December 2006, excluding acquisitions and customer financing, totaled EUR 46.6 (1–12/2005: 28.2) (6–12/2005: 18.1) million. Customer financing investments were EUR 22.2 (1–12/2005: 28.4) (6–12/2005: 21.3) million.

In 2006, Hiab reorganized operations in several of its production units. In April, the unit manufacturing Princeton PiggyBack® forklifts in the United States moved to larger rented premises. Hiab also extended its loader crane installation facilities in Ohio, the United States. These were taken into use during the second quarter of the year.

In order to cut delivery times and improve the flexibility of its loader crane assembly operations, Hiab transferred part of its volume models' assembly operations from its Hudiksvall unit, Sweden, to Hiab's other European units in Spain and in the Netherlands.

In Raisio, Finland, Hiab opened during the fourth quarter a new unit where all Hiab's Finnish load handling equipment installation activities were concentrated in. In order to improve the flexibility of assembly operations, a new assembly line was taken into use in the forestry and recycling crane assembly unit in Salo, Finland. At the demountables unit in Raisio, Finland, Hiab introduced a new paintshop.

In the second quarter, Hiab entered into a license-based cooperation agreement with Combilift of Ireland, giving Hiab the right to manufacture and sell the new Telemount truck-mounted forklift. The manufacture of these forklifts was integrated with the operations of Hiab's unit in Ireland during 2006.

In the first quarter of 2006, Kalmar established a sales company, Kalmar Industries South Africa (Pty) Ltd, in Durban. This company will focus on the sales and servicing of straddle carriers and RTG cranes in South Africa.

Kalmar organized its global assembly network during 2006 by establishing the Multi Assembly Unit organization. Under this new model, the plants focus on assembly of products while the product lines focus on product design, marketing and sales. In line with the new operating model, the operations of two assembly plants in Southern Sweden were combined. In Kansas, the United States, Kalmar outsourced its terminal tractor and forklift truck production. In the future, the unit will focus solely on assembly. In 2006, Kalmar opened a new assembly plant for terminal tractors, rubber-tired gantry (RTG) cranes, reachstackers and empty container handling equipment in the Shanghai area, China, to cater for the needs of its Asian customers.

In the spring, MacGREGOR sold its office and workshop building in Örnköldsvik, Sweden and will move its ship crane business to new, rented premises in April 2007.

In the fourth quarter, MacGREGOR signed a contract with the Chinese company, Goodway, on hatch cover production for conversion and modernization projects. This will further strengthen MacGREGOR's expertise in hatch cover design for conversion projects.

Strategic Acquisitions

During the year, Cargotec carried out eight acquisitions to expand the operations of all business areas.

At the end of December, Kalmar made an agreement to acquire the Italian company CVS Ferrari Group. This acquisition will strengthen Kalmar's market position and service capabilities in the South European and other Mediterranean markets. CVS Ferrari employs some 305 people. The agreement signed is subject to competition authority approval.

In December, Kalmar also signed an agreement to acquire the majority of the shares of its Spanish distributor, Kalmar

Espana S.A. The company employs six people. This transaction is subject to competition authority approval.

September saw the signature of an agreement for acquiring Catracom, based in Belgium, which has been distributing Kalmar equipment since 1985. The company employs approximately 100 people. The acquisition was finalized in November.

In September, Kalmar also signed an agreement to acquire the Kalmar equipment related service business of African National Engineering (ANE), based in South Africa. ANE's service business was merged with Kalmar's local subsidiary that focuses on the sales and servicing of straddle carriers, RTGs and terminal tractors.

In August, MacGREGOR signed an agreement to acquire the business of Scottish Grampian Hydraulics. The acquiree specializes in hydraulics and spare part servicing of offshore support vessels in the North Sea. The company employs approximately 30 people. Grampian Hydraulics has been integrated in MacGREGOR's accounts since August 14, 2006.

In June, MacGREGOR signed an agreement to acquire BMH Marine AB, a Swedish company. The acquisition was finalized at the end of July with a debt-free transaction price of approximately EUR 32 million. BMH Marine specializes in dry bulk handling equipment on ships and at port terminals, and expands MacGREGOR's service business offering for these products. The company employs approximately 140 people.

In March, Kalmar acquired the operations of East Coast Cranes and Electrical Contracting Inc. (ECC), a U.S. company. ECC specializes in crane construction services and maintenance in ports. The company employs over 100 people.

In January, Hiab signed an agreement to acquire the Dutch tail lift producer, AMA. The acquisition was finalized in April. AMA consists of a manufacturing company based in Poland and a sales company based in Holland. The company employs approximately 55 people.

Changes in Cargotec's Executive Board

On February 8, 2006, Cargotec's Board of Directors appointed Mikael Mäkinen, M.Sc. (Eng.) Naval Architect, as the new President and CEO of Cargotec Corporation. Mäkinen joined Cargotec on April 1, 2006 and became President and CEO on May 1, 2006. Cargotec's previous President and CEO, Carl-Gustaf Bergström, retired in June 2006 and started as a member of the Board from May 1, 2006.

In September, Cargotec appointed two new members onto its Executive Board (previously Executive Committee). Harald de Graaf, B.Sc. (Eng.), was appointed Senior Vice President, Services. Matti Sommarberg, M.Sc. (Eng.) and M.Sc. (Econ.), was appointed Senior Vice President, Operations Development. These appointments took effect on November 1, 2006.

In October, Kirsi Nuotto, MA, was appointed Senior Vice President, Human Resources, and a member of the Executive Board. She is responsible for the corporate global human

resources strategy and development. The appointment took effect on November 20, 2006.

In June, Olli Isotalo, M.Sc. (Eng.), was appointed President of MacGREGOR, starting from September 15, 2006 after Hans Pettersson, MacGREGOR's previous President, joined another company.

Tor-Erik Sandelin, Senior Vice President responsible for Cargotec's Service Business Development, retired at the end of March 2006.

Priorities in Strategy Implementation

Cargotec's strategy is based on profitable growth in developing and consolidating markets. The company aims to grow its operations significantly. The focus is on expanding the business especially in Asia Pacific and Americas. In addition to organic growth Cargotec intends to grow through acquisitions. Acquisitions help to accelerate the expansion in new markets as well as develop the existing service network. Cargotec aims to strengthen its global market leadership in cargo handling solutions.

Within services the target is a leading position. Cargotec intends through new solutions and a stronger presence in key service points to offer its customers necessary support services for the life-cycle of their equipment.

Cargotec's way of working will be changed in order to achieve better utilization of common know-how and benefits of scale in technology development and global network.

Achievement of the growth target will require more investment in personnel development than previously. Therefore, personnel have been lifted into a strategic priority.

The Executive Board has been strengthened in the strategic priorities of services, personnel and utilization of common network and technologies.

Employees

On December 31, 2006, Cargotec had a total of 8,516 employees (Dec 31, 2005: 7,571), with Hiab accounting for 3,647 (3,417) persons, Kalmar 3,705 (3,210), and MacGREGOR 1,117 (899). Group level functions employed 47 (45) persons on December 31, 2006. During the financial period, Cargotec's average number of employees was 8,026.

During 2006 the Group's sourcing organization, mergers and acquisitions expertise as well as IT management was strengthened. Process harmonization is an important part of the strategy implementation.

Of Cargotec's total number of employees, 17 percent were located in Finland, 26 percent in Sweden, and 27 percent in other parts of Europe, Middle East and Africa. North and South American personnel represented 14 percent, Asia Pacific 14 percent, and the rest of the world 2 percent of people in total.

Business areas launched a variety of training programs during the year: Hiab initiated a training program for young future talents, and Kalmar started the 'Leading the Move'

program, promoting e.g. the employees' knowledge of strategy.

During the financial period, salaries and remunerations to employees totaled EUR 300 (1-12/2005: 281) (6-12/2005: 162) million.

Environment

Cargotec's environmental policy defines the operating principles for environmental issues. The environmental effects of Cargotec's manufacturing operations are not significant, since Cargotec is increasingly focusing on product development, design, assembly and service operations.

Cargotec products' main environmental effects are related to their use. 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 during use and extends its useful life.

The ISO 9001 and ISO 14001 certified quality and environmental systems provide the foundation for environment management at Cargotec. Cargotec aims to implement certified environment systems at all production sites. Four of Kalmar's seven production units and seven of Hiab's thirteen production units have an ISO 14001 certified environmental system. MacGREGOR has no production of its own at all, but commissions its products from selected subcontractors independently responsible for their production processes. Certification is planned for two Hiab units and three Kalmar units in 2007. Following this, certified environment systems will cover the majority of all Cargotec production units.

Risks and Risk Management

Cargotec's President and CEO and the Executive Board are responsible for the Group's risk management activities, their implementation and control, and report to the Board of Directors. The company's internal auditor, responsible for internal control and business risk auditing, 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 Treasury function manages financial risks centrally. 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 and Cargotec's customer industries, the availability and price development of raw materials and components, and dealers' and subcontractors' activities. Cargotec has prepared for these risks by attempting to identify and anticipate them in advance, making long-term procurement agreements, and seeking alternative suppliers. In order to develop its risk assessments further, Cargotec implemented a Group-wide analysis in 2006 to identify and

evaluate supplier risks. As a result of this analysis, Cargotec was able to identify its critical suppliers and will determine measures for managing its supplier and business interruption risks. Moreover, the Group has further specified the scope and content of supplier audits by placing increased emphasis on risk management matters and safeguarding the continuity of operations.

Cargotec's treasury operations and financial risk management principles are defined in the Group Treasury Policy. The company's financial risks are centrally managed and administered by the Group Treasury that draws up financial risk reports for the Group management on a regular basis. The financial risks involved in Cargotec's business activities include currency, interest rate, refinancing and liquidity, counterparty and operative credit risks. The company seeks to protect itself against these risks in order to ensure a financially sound basis for developing its business operations. Note 2 provides further details on these risks.

Cargotec's operational risks and hazard risks relate to persons, property, processes, products and IT. If these risks materialize, they cause damage to persons and property, or business interruptions or product liability. In order to manage these risks, Cargotec has drawn up a program whose main activities are directed at product safety, information security development and business continuity assurance. With respect to key person risks, Cargotec draws up Group-wide succession plans for leadership and key assignments. Responsibility for the management of key operational risks and hazard risks lies with the Group's risk management function in particular, alongside business area and unit management.

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 Group-wide insurance policies that cover all units.

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 million. The maximum number of class A shares is 260 million and the maximum number of class B shares 260 million. 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 proviso that each shareholder is entitled to at least one vote.

According to the Articles of Association, class B shares entitle to at least a one percent and at most 2.5 percent higher dividend than class A shares, calculated on the basis of the accounting par value of the share. The accounting par value of both class A and class B shares is EUR 1.00 per share. The shares have no nominal value.

Cargotec's class B shares are listed on the Helsinki Stock Exchange. Cargotec's share capital was EUR 64,046,460 on December 31, 2006 (EUR 63,920,955 on December 31, 2005). The share capital increased by EUR 125,505 during the report period as a result of the subscription for class B shares under Cargotec option rights.

On December 31, 2006, Cargotec's share capital comprised 54,520,371 (December 31, 2005: 54,394,866) class B shares listed on the Helsinki Stock Exchange, and 9,526,089 (9,526,089) unlisted class A shares. Class B shares accounted for 85.1 (85.1) percent of the total number of shares and 36.4 (36.3) percent of votes, while class A shares accounted for 14.9 (14.9) percent of the total number of shares and 63.6 (63.7) percent of votes. The total number of votes attached to all shares was 14,977,375 (14,964,826) at the year end.

Market Capitalization and Trading

The share price of Cargotec's class B share increased by 44 percent during the year, with the class B share closing at the Helsinki Stock Exchange at EUR 42.10 on December 31, 2006. The average share price for the financial period was EUR 34.62, the highest quotation being EUR 43.50 and the lowest EUR 28.84.

On December 31, 2006, the total market value of the company's class B shares was EUR 2.3 billion, excluding treasury shares held by the company. The company's year-end market capitalization, in which the unlisted class A shares were valued at the average price of the class B shares on the last trading day, was EUR 2.7 billion, excluding treasury shares held by the company. At the year end, the company held a total of 704,725 class B shares.

During the financial period, approximately 52.9 million Cargotec class B shares were traded on the Helsinki Stock Exchange, corresponding to a turnover of approximately EUR 1,829 million. The average daily trading volume was 210,795 shares or EUR 7,285,529 while the relative turnover for the period was 97.6 percent.

Shares Subscribed for under the Option Rights

At the beginning of the financial period, the number of 2005A and 2005B option rights were 54,555 and 108,130 respectively. 125,505 class B shares were subscribed for during the period, increasing the share capital by EUR 125,505.

The remaining Cargotec 2005A and 2005B option rights entitle the holder to the subscription of a total of 362,550 class B shares in Cargotec and an increase of EUR 362,550 in the share capital. The said number of shares that can be subscribed for under the remaining option rights constitutes 0.6 percent of Cargotec's total number of shares and

0.24 percent of the total number of votes. The company has not issued other option rights or convertible bonds. The option program is described in Note 22 to the Financial Statements.

The Board of Directors and President and CEO

The General Meeting decides on the election of the members of the Board of Directors and auditor and their remunerations. The Board of Directors elects Cargotec's President and CEO and decides on the terms of employment. The period of notice of the President and CEO is six months and he has right to a compensation for termination of employment of 12 months.

Decisions Taken at the Annual General Meeting on February 28, 2006

Cargotec Corporation's Annual General Meeting (AGM) was held on February 28, 2006 in Helsinki. The meeting approved the parent company and consolidated financial statements and discharged the members of the Board of Directors and the President and CEO of their liability for the accounting period June 1–December 31, 2005.

The AGM approved a dividend for 2005 of EUR 0.64 for each of the 9,526,089 class A shares and EUR 0.65 for the 54,191,166 class B shares that were outstanding.

The number of members of the Board of Directors was confirmed at six according to the proposal of Cargotec's Nomination and Compensation Committee. Henrik Ehrnrooth, Tapio Hakakari, Ilkka Herlin, Peter Immonen and Karri Kaitue were re-elected as full members of the Board of Directors. Carl-Gustaf Bergström was elected as a member of the Board from May 1, 2006.

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

Organization of the Board of Directors

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

The Board of Directors elected from among its members Ilkka Herlin, Peter Immonen and Karri Kaitue as members of the Audit Committee, with Karri Kaitue elected to continue as Chairman of the Committee.

Board members Carl-Gustaf Bergström (as of May 1, 2006), Tapio Hakakari, Ilkka Herlin and Peter Immonen were elected to the Nomination and Compensation Committee. Ilkka Herlin was elected to continue as Chairman of the Committee.

The Board of Directors also reviewed the independence of its members as defined in the corporate governance recommendation of the Helsinki Stock Exchange. The Board of Directors stated that, with the exception of Carl-Gustaf

Bergström, its members are independent of the company and, with the exception of Ilkka Herlin, independent of major shareholders in the company.

Authorizations Granted by the Annual General Meeting and Share Repurchases

The Annual General Meeting held in February 28, 2006 authorized the Board of Directors of Cargotec to decide to repurchase the Company's own shares using distributable assets. Own shares can 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 be cancelled. 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 6,391,000 shares of which no more than 952,000 are class A shares and 5,439,000 are class B shares. This authorization remains in effect for a period of one year from the date of decision of the Annual General Meeting.

Based on the above-mentioned authorization, Cargotec repurchased 501,025 class B shares at the market price in public trading on the Helsinki Stock Exchange during the period June 14–November 22, 2006 at an average purchase price of EUR 37.61 per share. In June, 1,025 shares were acquired at an average purchase price of EUR 28.93 per share and in November, 500,000 shares averaging EUR 37.63 per share. During the period, the total accounting par value of the repurchased shares was EUR 501,025, their share of the share capital was 0.78 percent, and their share of the total voting rights was 0.33 percent. The repurchased shares were in the company's possession on December 31, 2006. With regard to the authorization, the amount corresponding to 952,000 class A shares and 4,937,975 class B shares remained unused on December 31, 2006. On December 31, 2006, the company held a total of 704,725 class B shares, accounting for 1.10 percent of the share capital and 0.47 percent of the total voting rights of all shares. The total accounting par value of the shares was EUR 704,725. Repurchasing of shares had no significant impact on the division of ownership and voting rights in the company.

In addition, the Annual General Meeting authorized Cargotec's Board of Directors to decide to distribute any shares repurchased. The repurchased 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 also has the right to decide on the distribution of the shares in public trading in the Helsinki Stock Exchange to be used as compensation in possible acquisitions. The authorization is limited to a maximum of 952,000 class A shares and 5,439,000 class B shares repurchased by the Company. The Board of Directors was authorized to decide to whom and in which order the repurchased shares will be distributed. This authorization

remains in effect for a period of one year from the date of the decision of the Annual General Meeting. The authorization remained unused on December 31, 2006.

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

Events after the Financial Period

Cargotec Corporation's Board of Directors decided in January 2007 on new financial targets for the Company. The targets for Cargotec have been set based on the strategy for the years 2007–2011. The targets reflect the growth expectations of Cargotec's industry as well as actions that have been implemented or that will be implemented by the Company. The new financial targets are annual net sales growth exceeding 10 percent (including acquisitions), raising the operating income margin to 10 percent and gearing below 50 percent.

In January 2007 Cargotec Corporation's Board of Directors decided also on a new share-based incentive program for Cargotec's key managers for the period 2007–2011. The program offers key managers a possibility to earn a reward in Cargotec class B shares based on accomplishment of set targets. The incentive program consists of four earnings periods, of which the first is two years and the following three periods one year each. The maximum amount to be paid out as shares is 387,500 class B shares currently held by the company as treasury shares. The incentive program covers some 60 individuals.

Board of Directors' Proposal on the Distribution of Profit

The parent company's distributable equity on December 31, 2006 is EUR 905,013,988.83 of which net income for the period is EUR 88,568,655.38.

The Board of Directors will propose to the Annual General meeting convening on February 26, 2007, that of the distributable profit, a dividend of EUR 0.99 per each of the 9,526,089 class A shares and EUR 1.00 per each 53,815,646 class B share in circulation be paid, totaling EUR 63,246,474.11. The rest of the distributable equity, EUR 841,767,514.72, 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 risk the company's financial standing.

Outlook

Cargotec's market outlook for 2007 is positive. The high market activity and strong order book in all business areas give a good start for the year. Completed and targeted acquisitions will support further sales growth. Operating income from operations in 2007 is expected to continue to increase although the operating margin development will be slightly affected by planned investments in future growth.

Annual General Meeting

Cargotec Corporation's Annual General Meeting will be held at the Marina Congress Center in Helsinki on Monday, February 26, 2007 at 3.00 p.m.

Helsinki, January 30, 2007
Cargotec Corporation
Board of Directors

Consolidated Financial Statements (IFRS)

Consolidated Income Statement

MEUR	Note	Jan 1–Dec 31, 2006		Jun 1–Dec 31, 2005		Pro forma Jan 1–Dec 31, 2005	
			%		%		%
Sales	3, 5	2,597.1		1,418.6		2,357.9	
Cost of goods sold		-2,042.7		-1,133.7		-1,882.2	
Gross profit		554.4	21.3	284.9	20.1	475.7	20.2
Capital gains	14, 15	17.8		15.4		15.4	
Other operating income	6	22.7		13.7		19.3	
Selling and marketing expenses		-168.1		-88.6		-150.9	
Research and development expenses		-31.3		-17.5		-29.7	
Administration expenses		-136.6		-73.2		-118.9	
Other operating expenses	6	-19.4		-10.1		-16.1	
Operating income	3, 7, 8	239.5	9.2	124.6	8.8	194.8	8.3
Share of associated companies' net income		0.9		6.3		6.6	
Financing income	9	3.6		4.6		6.9	
Financing expenses	9	-12.0		-10.0		-17.3	
Income before taxes		232.0	8.9	125.5	8.8	191.0	8.1
Taxes	10	-65.9		-38.1		-54.4	
Net income for the period		166.1	6.4	87.4	6.2	136.6	5.8
Net income for the period attributable to:							
Equity holders of the Company		163.9		85.9		134.5	
Minority interest		2.2		1.5		2.1	
Total		166.1		87.4		136.6	
Earnings per share for profit attributable to the equity holders of the Company:							
	11						
Basic earnings per share, EUR		2.57		1.35		2.11	
Diluted earnings per share, EUR		2.56		1.34		2.10	
Adjusted earnings per share, EUR	11	2.37		1.18		1.90	

Consolidated Balance Sheet

MEUR	Note	Dec 31, 2006	Dec 31, 2005
Assets			
Non-current assets			
Goodwill	12	513.3	440.7
Other intangible assets	13	67.2	46.4
Property, plant and equipment	14	217.6	196.3
Investments in associated companies	15	2.4	1.6
Available-for-sale investments	16	1.6	1.1
Loans receivable and other interest-bearing assets 1)		0.1	0.9
Deferred tax assets	17	50.7	50.7
Other non-interest-bearing assets		7.9	4.1
Total non-current assets		860.8	741.8
Current assets			
Inventories	18	528.9	464.4
Loans receivable and other interest-bearing assets 1)		0.3	0.3
Income tax receivables		7.0	8.2
Accounts receivable and other non-interest-bearing assets	19	466.7	451.3
Cash and cash equivalents 1)	20	124.3	114.5
Total current assets		1,127.2	1,038.7
Total assets		1,988.0	1,780.5

1) Included in interest-bearing net debt

MEUR	Note	Dec 31, 2006	Dec 31, 2005
Equity and liabilities			
Equity attributable to the equity holders of the Company			
Share capital		64.0	63.9
Share premium account		96.0	95.1
Treasury shares		-23.9	-5.0
Translation differences		-12.0	4.9
Fair value reserves		10.5	-10.3
Retained earnings		734.2	611.4
Total shareholders' equity	21,22	868.8	760.0
Minority interest		8.0	7.2
Total equity		876.8	767.2
Non-current liabilities			
Loans 1)	23	195.0	197.1
Deferred tax liabilities	17	30.5	18.5
Pension obligations	24	36.2	35.1
Provisions	25	30.3	18.2
Other non-interest-bearing liabilities		19.0	18.1
Total non-current liabilities		311.0	287.0
Current liabilities			
Current portion of long-term loans 1)	23	4.8	21.8
Other interest-bearing liabilities 1)	23	32.4	17.3
Provisions	25	42.6	45.9
Income tax payables		39.5	18.4
Accounts payable and other non-interest-bearing liabilities	26	680.9	622.9
Total current liabilities		800.2	726.3
Total equity and liabilities		1,988.0	1,780.5

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 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
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
Share-based incentives, value of received services						0.1	0.1		0.1
Net income recognized directly in equity	-	-	-	-16.9	20.8	0.1	4.0	-0.8	3.2
Net income for the period						163.9	163.9	2.2	166.1
Total recognized income and expenses for the period	-	-	-	-16.9	20.8	164.0	167.9	1.4	169.3
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
Other changes							-	-0.6	-0.6
Equity on Dec 31, 2006	64.0	96.0	-23.9	-12.0	10.5	734.2	868.8	8.0	876.8

Consolidated Cash Flow Statement

MEUR	Note	Jan 1–Dec 31, 2006	Jun 1–Dec 31, 2005
Net income for the period		166.1	87.4
Depreciation		40.5	23.6
Gain on disposals	14,15	-17.8	-15.4
Financing items and taxes		74.3	15.4
Change in receivables		18.0	7.3
Change in payables		18.2	90.5
Change in inventories		-48.9	-32.9
Other adjustments		-0.6	-2.2
Cash flow from operations		249.8	173.7
Interest received		5.4	2.9
Interest paid		-11.5	-6.4
Dividends received		0.0	0.0
Other financial items		-1.7	0.2
Income taxes paid		-43.3	-12.1
Cash flow from operating activities		198.7	158.3
Capital expenditure		-69.3	-37.1
Proceeds from sales of fixed assets	14	41.7	7.9
Acquisitions, net of cash	4	-89.1	-8.8
Proceeds from divested operations, net of cash	4	0.0	0.5
Proceeds from sales of shares in associated companies	15	-	81.7
Net change in loans receivable		0.9	0.7
Cash flow from investing activities		-115.8	44.9
Cash flow after investing activities		82.9	203.2
Change in current creditors, net		8.3	-239.9
Proceeds from long-term borrowings		0.1	114.7
Repayments of long-term borrowings		-25.9	-18.6
Acquisition of treasury shares		-18.9	-5.0
Proceeds from share subscriptions		1.1	1.4
Dividends paid		-41.3	-0.2
Cash flow from financing activities		-76.6	-147.6
Change in cash		6.3	55.6
Cash and cash equivalents at the beginning of period	20	111.2	55.5
Translation difference		-3.0	0.1
Cash and cash equivalents at the end of period	20	114.5	111.2

Condensed Consolidated Cash Flow Statement

MEUR	Note	Pro forma		
		Jan 1–Dec 31, 2006	Jun 1–Dec 31, 2005	Jan 1–Dec 31, 2005
Net income for the period		166.1	87.4	136.6
Gain on disposals		-17.8	-15.4	-15.4
Depreciation		40.5	23.6	37.9
Other adjustments		73.7	37.2	58.2
Change in working capital		-12.7	40.9	-23.2
Cash flow from operations		249.8	173.7	194.1
Cash flow from financial items and taxes		-51.1	-15.4	-38.7
Cash flow from operating activities		198.7	158.3	155.4
Proceeds from disposals	15	-	81.7	81.7
The gain on the sale of property	14	31.3	-	-
Cash flow from other investing activities		-147.1	-36.8	-72.4
Cash flow from investing activities		-115.8	44.9	9.3
Acquisition of treasury shares		-18.9	-5.0	-5.0
Proceeds from share subscriptions		1.1	1.4	1.4
Dividends paid		-41.3	-0.2	-0.2
Net change in loans, pro forma		-	-	-96.0
Proceed from long-term borrowings		0.1	114.7	-
Repayments of long-term borrowings		-25.9	-18.6	-
Change in current creditors, net		8.3	-239.9	-
Cash flow from financing activities		-76.6	-147.6	-99.8
Change in cash		6.3	55.6	64.9
Cash and cash equivalents at the beginning of period	20	111.2	55.5	46.3
Translation difference		-3.0	0.1	0.0
Cash and cash equivalents at the end of period		114.5	111.2	111.2

The notes are an integral part of these consolidated financial statements.

Notes to the Financial Statements

1. Accounting Principles for the Consolidated Financial Statements

General Information

Cargotec Corporation is a limited liability company domiciled in Helsinki, Finland. The registered address is Sörnäisten rantatie 23, FI-00501 Helsinki, Finland. Cargotec is the world's leading provider of cargo handling solutions whose products are used in the different stages of material flow in ships, ports, terminals, distribution centers and local transportation.

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 comprises three business areas: Hiab, Kalmar and MacGREGOR. After becoming listed on the stock market, Cargotec has been developed through acquisitions and by strengthening the service offerings provided by the business areas.

These consolidated financial statements were approved for publishing by the Board of Directors on January 30, 2007. Pursuant to the Finnish Limited-liability Companies Act the shareholders have the right to approve or reject the financial statements in the General Meeting held after their publication. The General Meeting also has the right to amend the financial statements. A copy of the annual report is available on Internet at www.cargotec.com and a copy of the consolidated financial statements and parent company's financial statements from Cargotec Corporation's head office, at Sörnäisten rantatie 23, FI-00501, Helsinki, Finland.

Basis of Preparation

Cargotec Corporation's consolidated financial statements have been prepared according to the International Financial Reporting Standards (IFRS) as adopted by the European Union.

The consolidated financial statements have been prepared for a financial period of 12 months for the financial year January 1–December 31, 2006. Cargotec's first financial period was June 1–December 31, 2005. Financial information is presented in millions of euros and business transactions are based on purchase method unless otherwise stated.

Cargotec has applied the following new and amended standards and interpretations as of January 1, 2006:

- IAS 19 (amendment): Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosure

The group has not altered the booking procedure of actuarial gains and losses. The group is not involved in defined benefit group plans, hence the amendment of IAS 19 has an effect only to the format and extent of the notes to the financial statements.

- IAS 21 (amendment): The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation
The goal of the IAS 21 amendment is to clarify the requirements regarding investments in a foreign unit, for which no repayment is expected. During the financial periods of 2005 and 2006 the group had no transactions regarded as net investment.

- IAS 39 (amendment): Financial Instruments: Recognition and Measurement - Cash Flow Hedge Accounting of Forecast Intragroup Transactions

According to the amended IAS 39 companies can, under certain circumstances, designate a foreign currency denominated intragroup transaction as an underlying cash flow for a cash flow hedge. The group hedges both external and intragroup transactions.

- IFRIC 4: Determining whether an arrangement contains a lease IFRIC 4 presents the criteria to determine whether an arrangement is, or contains, a lease contract. IFRIC 4 also clarifies the prerequisites for interpreting the arrangement as a lease contract as defined in IAS 17, regardless of the juridical form.

Cargotec has not applied the following renewed standards and interpretations, as they are of no relevance to the Group operations.

- IAS 39 (amendment), Fair value measurement option

- IFRS 1 (amendment), First-time Adoption of IFRS

- IFRS 4 (amendment), Financial guarantee contracts

- IFRS 6 (amendment), Exploration for and Evaluation of Mineral Resources

- IFRIC 5, Rights to Interest arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

- IFRIC 6, Liabilities arising from Participating in a Specific Market–Waste Electrical and Electronic Equipment

- IFRIC 7, Applying the restatement approach under IAS 29, Financial reporting in hyperinflationary economies

- IFRIC 8, Scope of IFRS 2

- IFRIC 9, Reassessment of Embedded Derivatives

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 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 equity holders 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 control, and divested subsidiaries up to the date of control ceasing.

Foreign Currency Transactions

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. Open foreign-currency denominated receivables and liabilities at the

end of the financial period, both intragroup and external, 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 date 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 segment reporting format 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 while assets and capital expenditure by the geographical location of the assets.

Revenue Recognition

Sales includes revenues from goods and services sold net of sales taxes, discounts and translation differences from foreign currency denominated revenues. Revenues from goods sold are recorded after the significant risks and rewards have been transferred to the buyer and the Group no longer has authority or control over the goods. Usually this means the moment when goods have been handed over to the customer in accordance with the agreed contractual terms.

Revenue from repair work is recognized when the work has been carried out and revenues from services when the service has been rendered.

Revenue from separately identified long-term contracts is 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 corresponding costs are expected to be recovered. Possible contract losses are recognized as an expense immediately.

Research and Development Costs

Research and development costs are mainly 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 cost are not activated. However, development cost of new software clearly associated with an identifiable and unique product controlled by the Group and having probable long-term economic benefit exceeding its cost, has been recognized as an intangible asset on the balance sheet.

Income Tax

Tax expense in the income statement includes taxes on the taxable income of the Group companies for the period, 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 taxation calculated with effective prevailing 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 value-in-use 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 at acquisition date. Intangible assets with definite useful lives 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 typically do not exceed 10 years. Trademarks with indefinite useful lives are not amortized, but they are tested for impairment by using value-in-use 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. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Depreciation is recorded on a straight-line basis over the expected economic useful life of 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 the income statement during the financial period in which they incur. 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.

Financing Costs

Financing costs are charged to the income statement during the financial period in which they incur.

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. An impairment tests determines the recoverable amount of an asset. The recoverable amount is the net selling price or the higher 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 segment 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 into 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 the 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.

Leases, Cargotec as Lessor

In operating leases the risks and rewards incident to ownership of an asset remain with the lessor. The leased asset is recognized in the balance sheet according to the nature of the asset. Income from operating leases is recognised on a straight-line basis over the lease term. The depreciation of the leased asset is consistent with the normal depreciation policy of similar assets.

In a finance lease the risks and rewards of ownership are transferred to the lessee. The selling profit is recognized similarly to profit from an outright sale. Finance lease receivables are recognized in balance sheet at present value. The financial charge relating to the finance lease contract is recognized in income statement over the lease term so as to achieve a constant interest rate on outstanding balance.

Customer Finance

Trade finance arrangements are used in certain customer segments, distribution channels and geographical markets. In these arrangements the Group, the seller of the equipment, is involved in arranging financing for the customer and/or the dealer with a financing partner. Trade finance contracts are classified as operating or finance lease contracts, hire purchase contracts or loans with similar features.

Revenue recognition and balance sheet treatment of sales transactions that include end customer or dealer financing depend on the true nature of the transaction, i.e. how risks and rewards related to ownership are divided between the Group, the customer and the financing partner.

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 labour, other direct costs and a proportion of indirect costs related to production 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 recorded at original invoiced amount less an estimated valuation allowance for impairment.

An allowance is recognized when there is objective evidence that the Group will not be able to collect all amounts due.

Financial Assets

Financial assets are classified as financial assets recorded at fair value through profit or loss, loans and other receivables, held-to-maturity investments and financial assets available-for-sale. The classification of assets is done at the initial purchase and is determined by the aim of the asset. The assets with maturities under 12 months are included in balance sheet in current assets, and those with maturities over 12 months in non-current assets, except for derivative instruments recorded at fair value through profit or loss, which are included in current assets regardless of maturity.

The financial assets recorded at fair value through profit or loss -category includes derivative instruments on which hedge accounting is not applied. They are measured at fair value without the impact of possible transaction costs. The changes in fair value are recognised in the income statement.

Loans and other receivables are not quoted in the market and they are not kept for trading purposes. Loan receivables are measured at amortized cost using the effective interest method. Transaction costs directly attributable to the acquisition or issue of the financial asset are included in the initial recognised amount. An impairment loss is recognized in the income statement if the carrying amount of the loan receivable is greater than the estimated recoverable amount.

The held-to-maturity investments are valued at accrued cost and they are included in current or non-current financial assets. There were no held-to-maturity investments on the balance sheet date.

The financial assets available-for-sale may consist of investments in shares or interest-bearing assets. Current 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 transferred from equity to income statement when the investment is sold or when there is objective evidence that the fair value has decreased so that recognition of an impairment loss is required. Impairment of interest bearing assets can be reversed through the income statement if the fair value of the asset increases due to event occurring after the recognition of the impairment loss. Impairment on investments in shares cannot be reversed.

Purchases and sales of derivative instruments are recognized on the trade-date, while the settlement date is recognized for other financial asset categories.

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. In the cash flow statement bank overdrafts are deducted from cash and cash equivalents.

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 operative cash flow or cash flow from a 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 not qualifying for hedge accounting. At the balance sheet date all derivative instruments fell into the categories of cash flow hedges or derivatives not qualifying for hedge accounting.

Derivative instruments, for which hedge accounting is applied, and for which the underlying cash flow matures after twelve months, are included in non-current assets and liabilities, other derivative instruments are included in current assets and liabilities. This presentation of derivative instruments has been taken into use in 2006. The comparative figures have been restated accordingly.

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 values of currency and interest rate swaps are calculated as the present value of the estimated future cash flows. Options are valued based on generally accepted valuation models. No options or forward rate agreements were in use on the balance sheet date.

Hedge accounting according to IAS 39 is applied to hedges of operative cash flows and to hedges of cash flows from foreign currency denominated borrowings. To qualify for 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 ability of the hedging instrument to offset changes in fair value of the underlying asset or cash flow.

Changes in the fair value of effective cash flow hedges are recognized in equity in the fair value reserves. The ineffective portion is recognized immediately in the income statement. Cumulative gain or loss on the hedge deferred to equity is recognized in the income statement as adjustment to the underlying cash flow in the same period the underlying cash flow is recognized. Changes in the fair value of hedging instruments relating to operative items that no longer are expected to materialize are recognized immediately in the income statement in other operating expenses. If the hedging instrument is sold, the contract is revoked or exercised or the relation of the hedging instrument and the underlying item is revoked, the cumulative change in the fair value of the hedging instrument is booked as a separate item in the equity and is recognized in the income statement when the underlying operative item materializes.

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 into income statement when the foreign operation is disposed of.

Changes in the fair values of hedges, for which hedge accounting is not applied, are recognized in the income statement, either in operative income and expenses, or financial income and expenses depending on the underlying exposure.

Dividends

The dividends proposed by the Board of Directors are not recognized in the financial statements until approved by the Company's shareholders at the Annual General Meeting.

Loans Payable

Loans payable by the Group are initially recognized in current and non-current liabilities at fair value, 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. The yield of a high quality bond issued by a corporate or government is used as discount factor in net present value calculation. Unrecognized actuarial gains or losses are booked in the income statement over the expected average remaining working lives of the employees to the extent that they exceed the greater of 10 percent of the liability or 10 percent 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.

A provision is recorded for a loss-making contract when the necessary costs required to fulfill the commitment exceed the gain to be received from the contract.

A restructuring provision is recorded when the Group has

prepared a detailed restructuring plan and started the implementation of the plan or communicated the plan. A restructuring plan consists at least the following information: business which is affected by the restructuring, main units affected by the restructuring, the location, job descriptions and estimated number of employees who will receive compensation for termination of employment as well as costs to be incurred and the timetable of the plan. No provision is made for expenses related to the ordinary scope of the business.

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 Payments

Cargotec has applied IFRS 2 (Share-based Payment) to option plans where options have been granted and vesting period has been started after the formation of the Company on June 1, 2005.

Options are valued at fair value on the grant date and recognized as an expense in the income statement during the vesting period. In case of equity-settled share-based payment transaction (e.g. share option), a corresponding increase is recorded in equity. In case of cash-settled share-based payment transaction (e.g. synthetic option), a corresponding debt is recorded. The expense of the options determined at the grant date reflects Group's estimate of the number of options that will ultimately vest at the end of the share-based payment's vesting period. The fair value of the options is determined on the basis of market prices or Black-Scholes -option pricing model. The non-market criteria are not included in the fair value of the option but taken into account in the number of options that are assumed to vest at the end of the vesting period. The Group updates at each closing the estimate of the final amount of the options that will vest. In equity-settled share-based payment transactions the fair value of the options is adjusted after the vesting date only if the aforementioned estimate changes. Cash-settled share-based payment transactions are remeasured to fair value at each financial period until the liability is settled. Any changes in estimates and fair values are recorded in income statement over the vesting period.

When the options are exercised, the proceeds received, net of any transaction costs, are credited to share capital (accounting par value) and share premium account.

Use of Estimates

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards which require Cargotec's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of income and expenses during 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.

Revenue Recognition

The completed contract method is Cargotec's main principle for revenue recognition. The percentage of completion method is applied to separately identified major long-term contracts. Completion is generally measured by reference to cost incurred to date as a percentage of estimated total project costs. Margin is recognized prudently in accordance with the historical variations in pre- and post calculations. If there is any uncertainty of margin, no profit is recognized. Possible contract losses are recognized as an expense immediately. Recognized revenues and profits are subject to revisions during the project in the event that the assumptions regarding the overall project outcome are revised. Changes in cost structure may affect the total cost and hence the amount to be recognised as revenue. The percentage of completion method is only used when a reliable estimate of the stage of completion can be made.

Taxes

Especially recognition and the carrying amount of deferred tax assets are reviewed. Cargotec considers in conjunction with each balance sheet date whether it is probable that the subsidiaries will have sufficient taxable profits against which the unused tax losses or unused tax credits can be utilized.

Provisions

A reliable estimate of the amount to be provided is a prerequisite for booking a provision. The amount recognized is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. The estimates of outcome and financial effect require judgement by the management of the company, based on similar transactions and, in some cases, reports from independent experts. The provisions are reviewed and adjusted regularly to reflect the current best estimate.

Business Combinations

The measurement of fair value of assets acquired through business combinations is based on the market value of similar assets (tangible assets), or an estimate of expected cash flows (intangible assets). The management trusts the estimates and assumptions to be sufficiently reliable for determining fair values.

Impairment Testing

The book values of assets are reviewed regularly, at least annually, in order to assess whether an asset has been impaired, i.e. the recoverable amount has declined below the book value. In assessing impairment both external sources, e.g. significant decline in market value that is not result of the passage of time or normal use or increase in interest rates, as well as internal sources, e.g. evidence of obsolescence or physical damage of an asset, of information are considered. When the recoverable amount of an asset is less than the book value, an impairment loss is recognized as an expense immediately, and the book value is reduced to the asset's recoverable amount.

Adoption of New or Revised IFRS Standards

In 2007 Cargotec will adopt the following new and amended standards and interpretations by the IASB published in 2006. The Group expects the renewed standards and interpretations to have an effect mainly on the notes to the financial statements.

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

The following published standard and interpretation are not yet effective. They are not to be applied by the Group in 2007.

- IFRS 8 Operating Segments
- IFRIC 12 Service Concession Arrangements

Pro Forma Accounting Principles

Cargotec was listed on June 1, 2005 and the Company's first financial period was June 1–December 31, 2005. The annual report presents pro forma comparison figures as additional information for those periods for which official comparative figures are not available. Pro forma figures present Cargotec's financial information based on its business and corporate structure at the time of the listing to facilitate the financial evaluation of the Company. Hence, MacGREGOR's marine cargo flow business acquired in spring 2005 is included in the pro forma figures of all comparison periods as if the acquisition would have happened before the periods presented. Pro forma information is based on IFRS and the accounting principles of Cargotec's official consolidated financial statements have been applied when suitable. The figures are unaudited. The final accounting impact of the MacGREGOR acquisition according to IFRS 3 is included in the official result as of June 1, 2005. In the 2005 pro forma figures the impact has been recognized as an adjustment to equity. The pro forma accounting principles prior to the listing are presented in Cargotec's listing particulars.

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 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 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 by the business units taking 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 affect hedging and restrict hedging against currency risks. Such countries are e.g. South Korea and China.

Hedge accounting in accordance with IAS 39 is applied on majority of the hedging instruments, excluding cases where the Group Treasury has regarded the impact on the period's result as insignificant. Hedge accounting is applied to hedges of estimated currency based cash flows from both internal and external sales and purchases as well as to other cash flows based on firm contracts. In Hiab and Kalmar the majority of the hedges realize within one year. In MacGREGOR hedges of some longer-term projects realize only within two or three years. More information on hedging is presented 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 debt and equity. Balance sheet structures of foreign entities can be hedged by using cross-currency and interest rate swaps as well as by 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 of the loan portfolio on December 31, 2006 was 34 months.

Hedge accounting in accordance with IAS 39 can be applied on interest rate swaps. The interest rate swap maturing in 2007 is non-hedge accounted. The US Private Placement placed in December 2006 and to be funded in February 2007 is hedged by cross-currency and interest rate swaps. Hedge accounting is applied on hedges related to the US Private Placement.

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 their average interest rates are presented 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 432 million and a domestic commercial paper programme totals EUR 150 million. The long-term loan repayment schedule is presented in Note 23.

Financial Credit 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. On the balance sheet date the Group had no significant loan receivables from external counterparts.

Operative Credit Risks

The business units are responsible for their operative credit risks and 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 monitored 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. Pricing of inter-segment transactions is based on current market prices.

The primary business segments based on the internal reporting and management structure are Hiab, Kalmar and MacGREGOR. Hiab is the global market leader in on-road load handling solutions for moving, lifting, loading and unloading products, goods or raw material from vehicles. Kalmar is the world's leading provider of container and heavy load handling equipment and services. Kalmar's solutions are used in terminals, ports, heavy industry and distribution centers. MacGREGOR, the market leader in its field, is a global provider of marine cargo flow solutions and related services whose solutions are used in general cargo, bulk, container and RoRo vessels as well as in tankers and bulk terminals. The segment Others 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, while assets and capital expenditure by the location of the assets. Goodwill has not been allocated to geographical segments.

3.1 Business Segments

Income statement information

Jan 1–Dec 31, 2006

MEUR	Hiab	Kalmar	MacGREGOR	Others	Eliminations	Total
Sales						
Services	133.7	311.0	127.7	-	-	572.4
Products	778.4	892.3	354.0	-	-	2,024.7
External sales total	912.1	1,203.3	481.7	-	-	2,597.1
Internal sales	1.7	0.0	0.0	-	-1.7	0.0
Total sales	913.8	1,203.3	481.7	-	-1.7	2,597.1
Operating income	86.0	111.7	35.9	5.9*	-	239.5
Share of associated companies' net income	0.6	0.1	0.2	-	-	0.9
Financing items and taxes	-	-	-	-	-	-74.3
Net income	-	-	-	-	-	166.1
Depreciation and amortization	-12.3	-24.3	-3.7	-0.2	-	-40.5
Impairment charges	0.0	-0.2	0.0	-	-	-0.2

* Includes gain of EUR 17.8 million on the sale of property.

Jun 1–Dec 31, 2005

MEUR	Hiab	Kalmar	MacGREGOR	Others	Eliminations	Total
Sales						
Services	64.4	166.9	69.2	-	-	300.5
Products	438.8	528.1	151.2	-	-	1,118.1
External sales total	503.2	695.0	220.4	-	-	1,418.6
Internal sales	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 and taxes	-	-	-	-	-	-43.5
Net income	-	-	-	-	-	87.4
Depreciation and amortization						
	-7.0	-14.7	-1.8	-0.1	-	-23.6

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

** Includes gain of EUR 15.4 million on the sale of Consolis.

Pro forma Jan 1–Dec 31, 2005

MEUR	Hiab	Kalmar	MacGREGOR	Others	Eliminations	Total
Sales						
Services	108.8	267.2	116.3	-	-	492.3
Products	733.5	879.7	252.4	-	-	1,865.6
External sales total	842.3	1,146.9	368.7	-	-	2,357.9
Internal sales	2.1	-	-	-	-2.1	0.0
Total sales	844.4	1,146.9	368.7	-	-2.1	2,357.9
Operating income						
	66.6	97.6	27.5	3.1*	-	194.8
Share of associated companies'						
net income	0.1	0.2	0.1	6.2	-	6.6
Financing items and taxes	-	-	-	-	-	-64.8
Net income	-	-	-	-	-	136.6
Depreciation and amortization						
	-12.1	-24.0	-1.6	-0.2	-	-37.9

* Includes gain of EUR 15.4 million on the sale of Consolis.

Segment assets and liabilities

Dec 31, 2006

MEUR	Hiab	Kalmar	MacGREGOR	Others	Eliminations	Total
Non-interest-bearing assets	606.7	794.2	400.1	7.1	-5.5	1,802.6
Investments in associated companies	1.3	0.2	0.9	-	-	2.4
Unallocated assets, interest-bearing	-	-	-	-	-	124.7
Other unallocated assets	-	-	-	-	-	58.3
Total assets*	608.0	794.4	401.0	7.1	-5.5	1,988.0
Non-interest-bearing liabilities	384.9	173.3	241.3	1.5	-7.5	793.5
Unallocated liabilities, interest-bearing	-	-	-	-	-	232.2
Other unallocated liabilities	-	-	-	-	-	85.5
Total liabilities**	384.9	173.3	241.3	1.5	-7.5	1,111.2
Assets employed	223.1	621.1	159.7	5.6	2.0	1,011.5
Capital expenditure	29.0	37.6	2.1	0.1	-	68.8

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						
Jun 1–Dec 31, 2005	7.7	30.8	0.9	0.0	-	39.4
Capital expenditure pro forma						
Jan 1–Dec 31, 2005	13.6	40.9	2.1	0.0	-	56.6

* Segment assets comprise intangible assets, property, plant and equipment, investments in associated companies, available-for-sale investments, inventories and operating non-interest-bearing receivables (including derivatives designated as hedges of future commercial transactions). Unallocated assets comprise loans and other interest-bearing receivables, cash and cash equivalents, income tax receivables, deferred tax assets, deferred interests and derivatives designated as hedges of future treasury transactions.

** Segment liabilities comprise pension obligations, provisions and operating non-interest-bearing liabilities (including derivatives designated as hedges of future commercial transactions). Unallocated liabilities comprise loans and other interest-bearing liabilities, deferred tax liabilities, income tax payables, accrued interests and derivatives designated as hedges of future treasury transactions.

Orders

MEUR	Orders received			Order book	
	Jan 1–Dec 31, 2006	Jun 1–Dec 31, 2005	Pro forma	Dec 31, 2006	Dec 31, 2005
			Jan 1–Dec 31, 2005		
Hiab	946.2	476.2	830.6	215.4	196.7
Kalmar	1,282.3	627.7	1,103.4	592.7	519.5
MacGREGOR	683.7	263.2	452.9	812.6	540.9
Eliminations	-1.9	-1.2	-2.0	-0.2	-0.2
Total	2,910.3	1,365.9	2,384.9	1,620.5	1,256.9

Number of employees

	Average			End of period	
	Jan 1–Dec 31, 2006	Jun 1–Dec 31, 2005	Pro forma	Dec 31, 2006	Dec 31, 2005
			Jan 1–Dec 31, 2005		
Hiab	3,571	3,418	3,426	3,647	3,417
Kalmar	3,415	3,092	3,021	3,705	3,210
MacGREGOR	994	891	899	1,117	899
Corporate administration	46	45	42	47	45
Total	8,026	7,446	7,388	8,516	7,571

3.2 Geographical Segments

Sales

Jan 1–Dec 31, 2006

MEUR	Hiab	Kalmar	MacGREGOR	Eliminations	Total
EMEA (Europe, Middle East, Africa)	531.3	620.3	216.4	-	1,368.0
Americas	317.9	375.2	28.5	-1.7	719.9
Asia Pacific	64.6	207.8	236.8	-	509.2
Total	913.8	1,203.3	481.7	-1.7	2,597.1

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

Pro forma Jan 1–Dec 31, 2005

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

Non-interest-bearing assets

MEUR	Dec 31, 2006	Dec 31, 2005
EMEA (Europe, Middle East, Africa)	1,039.1	952.1
Americas	186.4	173.3
Asia Pacific	145.7	124.9
Goodwill*	513.3	440.7
Eliminations	-79.5	-90.4
Total	1,805.0	1,600.6

Assets employed

MEUR	Dec 31, 2006	Dec 31, 2005
EMEA (Europe, Middle East, Africa)	354.7	329.5
Americas	85.0	67.1
Asia Pacific	58.5	54.4
Goodwill*	513.3	440.7
Total	1,011.5	891.7

* Goodwill has not been allocated to geographical areas.

Capital expenditure

MEUR	Jan 1–Dec 31, 2006	Jun 1–Dec 31, 2005	Pro forma
			Jan 1–Dec 31, 2005
EMEA (Europe, Middle East, Africa)	55.4	29.5	46.0
Americas	6.4	2.3	3.2
Asia Pacific	7.0	7.6	7.4
Total	68.8	39.4	56.6

Number of employees

	Dec 31, 2006	Dec 31, 2005
EMEA (Europe, Middle East, Africa)	6,032	5,484
Americas	1,215	1,143
Asia Pacific	1,269	944
Total	8,516	7,571

4. Acquisitions and Disposals

4.1 Acquisitions

Acquisitions in 2006

In 2006 Cargotec made several acquisitions in line with its strategy. These acquisitions were individually immaterial. The most significant acquisition was Swedish BMH Marine AB acquired by MacGREGOR at the end of July. The debt-free acquisition price was approximately EUR 39 million and the goodwill recognised EUR 29 million. BMH Marine specializes in dry bulk handling equipment on ships and at port terminals.

In March Kalmar acquired the operations of East Coast Cranes and Electrical Contracting Inc. (ECC), a U.S. company. ECC specializes in crane construction and maintenance in ports. In April Hiab acquired AMA, a Dutch tail lift producer. AMA consists of a manufacturing company based in Poland and a sales company based in Holland. In August MacGREGOR acquired the Scottish Grampian Hydraulics specializing in hydraulics and spare part servicing of offshore support vessels in the North Sea. Along with this acquisition, MacGREGOR will expand its service supply to offshore support vessels in the North Sea.

In September, Kalmar signed an agreement to acquire the Kalmar equipment related service business of African National Engineering (ANE) based in South Africa. ANE's service business will be merged with Kalmar's local subsidiary that focuses on the sales and servicing of straddle carriers, RTGs and terminal tractors.

In November Kalmar acquired Catracom, its Belgian distributor since 1985. Catracom has a strong service set-up in the port of Antwerp as well as equipment rental business at ports and to heavy industry customers in Belgium.

Management estimates that the consolidated sales for 2006 would have been EUR 2,657.9 million, if the acquisitions had occurred on Jan 1, 2006.

The table below summarizes the acquisitions in 2006. The business combinations of Grampian Hydraulics and Catracom were accounted as preliminarily at the end of accounting period as the determination of fair values to be assigned to the assets, liabilities and contingent liabilities was 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	9.8	0.1
Property, plant and equipment	24.0	20.7
Inventories	25.2	24.5
Non-interest-bearing assets	38.9	38.9
Cash and cash equivalents	12.4	12.4
Interest-bearing liabilities	-9.0	-9.0
Other non-interest-bearing liabilities	-63.9	-59.7
Acquired net assets	37.3	27.9
Transaction price	103.3	
Costs related to acquisitions	2.0	
Goodwill	68.0	
Transaction price paid in cash	97.0	
Costs related to acquisitions	2.0	
Cash and cash equivalents in acquired businesses	-12.4	
Total cash outflow from acquisitions	86.6	

The goodwill is attributable to the experienced and capable personnel employed by the businesses and to synergies.

Acquisitions in 2005

In 2005, Cargotec made several minor acquisitions. In June, Hiab acquired Finnish 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-percent 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. The business combinations of All Set Marine and Indlift were accounted as preliminarily at the end of the period Jun 1–Dec 31, 2005 as the determination of fair values to be assigned to the assets, liabilities and contingent liabilities was still unfinished. The impact from the final accounting of these acquisitions has been recognized retrospectively.

Management estimates that the consolidated sales for Jun 1–Dec 31, 2005 would have been EUR 1,432.9 million, if the acquisition had occurred on June 1, 2005. The table below presents the summarized final accounting for the acquisitions made in the accounting period Jun 1–Dec 31, 2005.

Assets and liabilities of the acquired companies

MEUR	Effect of the final accounting	Net fair values of identifiable assets and liabilities of the acquired businesses	Assets and liabilities immediately before the business combination
Other intangible assets	2.4	2.6	0.0
Property, plant and equipment	0.0	0.4	0.2
Inventories	-0.1	1.0	1.0
Non-interest-bearing assets	0.9	4.9	4.9
Cash and cash equivalents	0.0	0.1	0.1
Interest-bearing liabilities	0.4	0.0	0.0
Other non-interest-bearing liabilities	-1.7	-6.1	-5.4
Acquired net assets	1.9	2.9	0.8
Transaction price	1.0	9.2	
Costs related to acquisitions	0.1	0.7	
Goodwill	-0.8	7.1	

4.2 Disposals

Hiab sold in March 2006 the ownership in Bromma Polska Sp. z.o.o. MacGREGOR sold in June 2005 the galley business. The transactions did not have a significant effect on Cargotec's result and cash flow.

5. Percentage of Completion Method

The effect of the percentage of completion method on sales for 2006 was EUR 35.5 (Jun 1–Dec 31, 2005: 58.8) million. The balance sheet includes from the percentage of completion method EUR 7.2 (Dec 31, 2005: 16.5) million in unbilled contract revenue and EUR 12.9 (0.0) million in advances received.

6. Other Operating Income and Expenses

Other operating income

MEUR	Jan 1–Dec 31, 2006	Jun 1–Dec 31, 2005
Gain on disposal of intangible and tangible assets	1.6	1.4
Customer finance related other income	12.9	5.9
Rent income	3.1	1.6
Other income	5.1	4.8
Total	22.7	13.7

Other operating expenses

MEUR	Jan 1–Dec 31, 2006	Jun 1–Dec 31, 2005
Loss on disposal of intangible and tangible assets	0.4	0.1
Customer finance related other expenses	12.4	5.2
Other expenses	6.6	4.8
Total	19.4	10.1

7. Personnel Expenses

MEUR	Jan 1–Dec 31, 2006	Jun 1–Dec 31, 2005	Pro forma
			Jan 1–Dec 31, 2005
Wages and salaries	297.4	160.4	279.8
Equity-settled share-based payment transactions	-	0.9	0.9
Cash-settled share-based payment transactions	3.1	0.6	0.6
Pension costs*	24.7	14.4	24.9
Other statutory employer costs	83.1	37.2	61.3
Total	408.3	213.5	367.5

* Pension costs are presented in more detail in Note 24. Employee Benefits. Information on top management compensation is presented in Note 30. Related-party Transactions.

8. Depreciation, Amortization and Impairment Charges

Depreciation and amortization by function

MEUR	Jan 1–Dec 31, 2006	Jun 1–Dec 31, 2005
Cost of goods sold	29.6	15.3
Selling and marketing	3.6	2.5
Research and development	0.8	0.7
Administration	4.8	2.0
Other	1.7	3.1
Total	40.5	23.6

Depreciation and amortization by asset type

MEUR	Jan 1–Dec 31, 2006	Jun 1–Dec 31, 2005	Pro forma
			Jan 1–Dec 31, 2005
Intangible assets	4.5	2.3	1.9
Buildings	5.5	2.9	5.3
Machinery & equipment	15.7	8.5	14.4
Finance lease agreements	0.7	0.8	1.3
Customer finance agreements	14.1	9.1	15.0
Total	40.5	23.6	37.9

Impairment charges by asset type

MEUR	Jan 1–Dec 31, 2006	Jun 1–Dec 31, 2005	Pro forma
			Jan 1–Dec 31, 2005
Goodwill	-	-	-
Other intangible assets	0.2	-	-
Property, plant and equipment	0.0	-	-
Total	0.2	-	-

9. Financing Income and Expenses

Financing income

MEUR	Jan 1–Dec 31, 2006	Jun 1–Dec 31, 2005
Interest income	2.9	3.4
Change in fair value of interest rate swaps*	0.6	0.8
Exchange rate differences, net	-	0.4
Other financing income	0.1	0.0
Dividend income	0.0	0.0
Total	3.6	4.6

* Hedge accounting is not applied on interest rate swaps

Financing expenses

MEUR	Jan 1–Dec 31, 2006	Jun 1–Dec 31, 2005
Interest expenses	9.5	9.1
Exchange rate differences, net	1.1	-
Other financing expenses	1.4	0.9
Total	12.0	10.0

Operating income 2006 includes exchange rate differences of EUR -2.1 (Jun 1–Dec 31, 2005: -12.7) million.

10. Income Taxes

Taxes in income statement

MEUR	Jan 1–Dec 31, 2006	Jun 1–Dec 31, 2005
Current year tax expense	66.7	30.6
Deferred tax expense	-0.3	-0.4
Tax expense for previous years	-0.5	7.9
Total	65.9	38.1

Reconciliation of effective tax rate

MEUR	Jan 1–Dec 31, 2006	Jun 1–Dec 31, 2005
Income before taxes	232.0	125.5
Tax calculated at domestic tax rate*	60.3	32.6
Effect of different tax rates in foreign subsidiaries	9.9	1.0
Previous years' taxes	-0.5	7.9
Non-deductible expenses and tax exempt income	0.5	1.9
Benefit arising from previously unrecognised tax losses and temporary differences	-1.5	-6.5
Unrecognised current year tax losses and temporary differences	0.3	1.5
Change in previously unrecognised tax losses and temporary differences	-3.1	0.2
Effect of changes in tax rates	0.0	-0.5
Total	65.9	38.1
Effective tax rate, %	28.4 %	30.4 %

* The domestic tax rate is 26% (2005: 26%).

11. Earnings per Share

Basic earnings per share is calculated by dividing the net income attributable to the equity holders of the Company by the weighted average number of shares outstanding during the period. Diluted earnings per share is calculated by adjusting the weighted average number of shares for the effect of all potential dilutive shares. The Group has a dilutive option program. The options have a diluting effect, when the exercise price with an option is lower than the market value of the Company share. The diluting effect is the number of shares that the Company has to issue gratuitously because the received funds from the exercised options do not cover the fair value of the shares. The fair value of the Company's share is determined as the average market price of the shares during the period.

Adjusted basic earnings per share is calculated by dividing the net income excluding capital gains (Jun 1–Dec 31, 2005: excluding gain on the sale of Consolis and impact of the final accounting of MacGREGOR acquisition) after taxes attributable to the equity holders of the Company by the weighted average number of shares outstanding during the period.

	Jan 1–Dec 31, 2006	Jun 1–Dec 31, 2005	Pro forma Jan 1–Dec 31, 2005
Net income attributable to the equity holders of the Company, MEUR	163.9	85.9	134.5
Weighted average number of shares during the financial period, ('000)	63,695	63,748	63,751
Basic earnings per share, EUR	2.57	1.35	2.11

	Jan 1–Dec 31, 2006	Jun 1–Dec 31, 2005	Pro forma Jan 1–Dec 31, 2005
Net income attributable to the equity holders of the Company, MEUR	163.9	85.9	134.5
Weighted average number of shares during the financial period, ('000)	63,695	63,748	63,751
Effect of share options, ('000)	333	391	405
Diluted weighted average number of shares during the financial period, ('000)	64,028	64,139	64,156
Diluted earnings per share, EUR	2.56	1.34	2.10

Basic earnings per share adjusted with non-recurring items

	Jan 1–Dec 31, 2006	Jun 1–Dec 31, 2005	Pro forma Jan 1–Dec 31, 2005
Net income attributable to the equity holders of the Company, MEUR	163.9	85.9	134.5
Adjustments to net income, MEUR			
Capital gains*	-17.8	-15.4	-15.4
Impact of the final accounting of MacGREGOR acquisition	-	3.9	-
Tax on the adjustments	4.6	0.8	2.1
Adjusted net income attributable to the equity holders of the Company, MEUR	150.7	75.2	121.2
Weighted average number of shares during the financial period, ('000)	63,695	63,748	63,751
Adjusted basic earnings per share, EUR	2.37	1.18	1.90

* In July 2006 a capital gain of EUR 17.8 million was recorded from the sale of property and in October 2005 a capital gain of EUR 15.4 million from the sale of Consolis.

12. Goodwill

MEUR	Dec 31, 2006	Dec 31, 2005
Book value at the beginning of period	440.7	437.5
Translation difference	5.3	-4.8
Companies acquired	67.2	7.9
Companies sold	-	-0.4
Other changes	0.1	0.5
Book value at the end of period	513.3	440.7

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 an indication that the current value is not recoverable.

MEUR	Dec 31, 2006	Dec 31, 2005
Hiab	165.6	166.9
Kalmar	203.2	162.9
MacGREGOR	144.5	110.9
Total	513.3	440.7

The cash flow projections used in value-in-use calculations are 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 was 8.26 % (2005: 8.10 %). Based on these calculations no impairment loss needs to be recognized.

13. Other Intangible Assets

MEUR	Development costs	Trademarks	Other*	Total
Acquisition cost Jan 1, 2006	1.6	36.9	22.2	60.7
Translation difference	0.0	-	0.3	0.3
Additions	0.2	-	12.6	12.8
Disposals	-	-	-6.2	-6.2
Reclassification	-	2.0	1.5	3.5
Companies acquired	-	3.1	6.8	9.9
Acquisition cost Dec 31, 2006	1.8	42.0	37.2	81.0
Accumulated amortization and impairment Jan 1, 2006	-0.4	-	-13.9	-14.3
Translation difference	0.0	-	-0.1	-0.1
Amortization during the financial period	-0.1	-	-4.4	-4.5
Impairment charges	-	-	-0.2	-0.2
Disposals	-	-	6.2	6.2
Reclassification	-	-	-0.8	-0.8
Companies acquired	-	-	-0.1	-0.1
Accumulated amortization and impairment Dec 31, 2006	-0.5	-	-13.3	-13.8
Book value Jan 1, 2006	1.2	36.9	8.3	46.4
Book value Dec 31, 2006	1.3	42.0	23.9	67.2

MEUR	Development costs	Trademarks	Other*	Total
Acquisition cost Jun 1, 2005	1.4	36.9	21.5	59.8
Translation difference	0.0	-	0.1	0.1
Additions	0.2	-	0.5	0.7
Disposals	0.0	-	-0.2	-0.2
Companies acquired	-	-	0.3	0.3
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
Translation difference	0.0	-	-0.1	-0.1
Amortization during the financial period	0.0	-	-2.3	-2.3
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

* Other intangibles include patents, product licenses, software licences and other intangible assets.

The trademarks relate to MacGREGOR's business and have been valued at fair value in connection with the acquisition (see Note 4.1 Acquisitions). The trademarks have been assessed to have indefinite useful lives as it is estimated that they will create cash flow for an indefinite period. The estimate is based on their position as global, market area or customer segment specific market leadership and their long history. The MacGREGOR trademark has been used since the 1930's. The trademarks are actively used in sale of marine cargo flow solutions and they are continuously developed. The trademarks are impairment tested annually or more frequently if there is an indication that their current value would not be recoverable.

14. Property, Plant and Equipment

MEUR	Land	Buildings	Machinery & equipment	Fixed assets under construction	Advance payments	Total
Acquisition cost Jan 1, 2006	15.0	122.4	334.7	7.9	0.0	480.0
Translation difference	0.0	-0.8	0.1	-0.3	0.0	-1.0
Additions	0.4	6.8	42.0	6.1	0.7	56.0
Disposals*	-4.4	-10.3	-31.4	0.0	0.0	-46.1
Reclassification	-	7.0	3.1	-11.1	0.0	-1.0
Companies acquired	0.6	5.5	18.6	0.6	-	25.3
Companies sold	-	-0.1	-0.4	-	-	-0.5
Acquisition cost Dec 31, 2006	11.6	130.5	366.7	3.2	0.7	512.7
Accumulated depreciation and impairment Jan 1, 2006	-0.8	-61.5	-221.4	-	-	-283.7
Translation difference	0.0	0.0	-0.1	-	-	-0.1
Depreciation during the financial period	0.0	-5.7	-30.3	-	-	-36.0
Impairment	-	0.0	0.0	-	-	0.0
Disposals*	0.0	4.2	20.7	-	-	24.9
Reclassification	-	0.0	0.8	-	-	0.8
Companies acquired	-	-0.2	-1.1	-	-	-1.3
Companies sold	-	0.0	0.3	-	-	0.3
Accumulated depreciation and impairment Dec 31, 2006	-0.8	-63.2	-231.1	-	-	-295.1
Book value Jan 1, 2006	14.2	60.9	113.3	7.9	0.0	196.3
Book value Dec 31, 2006	10.8	67.3	135.6	3.2	0.7	217.6

* In May, MacGREGOR sold an office and workshop building in Örnsköldsvik, Sweden and in July Kalmar sold part of its land and related property at its site in Tampere, Finland. The capital gain from the transactions of EUR 17.8 million has been presented as a separate item in the income statement. In segment information it is included in the segment Others.

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
Translation difference	0.0	0.1	-3.1	0.0	0.0	-3.0
Additions	0.0	3.0	28.1	5.8	-0.1	36.8
Disposals	0.0	0.0	-14.0	-0.3	0.0	-14.3
Reclassification	0.0	0.0	0.3	-0.2	0.0	0.1
Companies acquired	-	-	0.4	-	-	0.4
Companies sold	-	-	-0.1	-	-	-0.1
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
Translation difference	0.0	0.1	2.8	-	-	2.9
Depreciation during the financial period	-	-3.1	-18.2	-	-	-21.3
Disposals	0.0	0.0	5.0	-	-	5.0
Companies acquired	-	-	-0.1	-	-	-0.1
Companies sold	-	-	0.1	-	-	0.1
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

Finance lease agreements

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

MEUR	Buildings	Machinery & equipment	Total
Acquisition cost Jan 1, 2006	6.5	3.2	9.7
Translation difference	0.0	-0.1	-0.1
Additions	0.0	0.5	0.5
Disposals	-	-1.2	-1.2
Reclassification	0.0	0.0	0.0
Companies acquired	-	6.1	6.1
Acquisition cost Dec 31, 2006	6.5	8.5	15.0
Accumulated depreciation and impairment Jan 1, 2006	-2.4	-2.5	-4.9
Translation difference	0.0	0.1	0.1
Depreciation during the financial period	-0.3	-0.4	-0.7
Disposals	-	0.9	0.9
Reclassification	0.0	0.0	0.0
Accumulated depreciation and impairment Dec 31, 2006	-2.7	-1.9	-4.6
Book value Jan 1, 2006	4.1	0.7	4.8
Book value Dec 31, 2006	3.8	6.6	10.4

MEUR	Buildings	Machinery & equipment	Total
Acquisition cost Jun 1, 2005	6.4	6.0	12.4
Translation difference	0.1	0.0	0.1
Additions	-	0.3	0.3
Disposals	-	-3.1	-3.1
Acquisition cost Dec 31, 2005	6.5	3.2	9.7
Accumulated depreciation and impairment Jun 1, 2005	-2.1	-3.3	-5.4
Translation difference	-0.1	0.0	-0.1
Depreciation during the financial period	-0.2	-0.6	-0.8
Disposals	-	1.4	1.4
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 classified as operating leases as follows:

MEUR	Machinery & equipment
Acquisition cost Jan 1, 2006	102.4
Translation difference	-0.2
Additions	22.2
Disposals	-11.1
Companies acquired	7.9
Acquisition cost Dec 31, 2006	121.2
Accumulated depreciation and impairment Jan 1, 2006	-44.1
Translation difference	0.2
Depreciation during the financial period	-14.1
Disposals	2.2
Accumulated depreciation and impairment Dec 31, 2006	-55.8
Book value Jan 1, 2006	58.3
Book value Dec 31, 2006	65.4

MEUR	Machinery & equipment
Acquisition cost Jun 1, 2005	93.8
Translation difference	-1.4
Additions	21.3
Disposals	-11.3
Acquisition cost Dec 31, 2005	102.4
Accumulated depreciation and impairment Jun 1, 2005	-39.8
Translation difference	1.2
Depreciation during the financial period	-9.1
Disposals	3.6
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

MEUR	Jan 1–Dec 31, 2006	Jun 1–Dec 31, 2005
Book value at the beginning of period	1.6	62.5
Translation difference	-0.1	0.0
Share of associated companies' net income	0.9	6.3
Disposals	0.0	-66.5*
Reclassification	0.0	-0.7
Book value at the end of period	2.4	1.6

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

* 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 of EUR 15.4 million from the transaction has been presented as a separate item in the income statement. In segment information it is included in the segment Others.

Principal associated companies

Dec 31, 2006						Shareholding (%)	
MEUR	Country	Assets	Liabilities	Sales	Net income	Parent company	Group
BG Crane Pty. Ltd	Australia	11.3	9.1	20.1	1.8	-	30.0
Haida-MacGREGOR Jiangyin Sealing Co., Ltd	China	4.3	0.6	5.2	0.8	-	25.0
Other associated companies (5 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)							

The figures presented in the tables above are based on the latest available financial statements.

* 12 month financial period. 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 also for the financial period Jun 1–Dec 31, 2005.

16. Non-current Available-for-sale Investments

MEUR	Jan 1–Dec 31, 2006	Jun 1–Dec 31, 2005
Book value at the beginning of period	1.1	0.4
Translation difference	0.0	0.0
Additions	0.5	0.0
Disposals	0.0	0.0
Reclassification	-	0.7
Book value at the end of period	1.6	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	Jan 1, 2006	Charged to income statement	Charged to shareholders' equity	Translation difference	Acquired / sold companies	Dec 31, 2006
Tax losses carried forward	13.8	2.1	0.0	0.1	0.0	16.0
Provisions	17.0	-6.3	0.0	-0.7	0.0	10.0
Depreciation difference	1.7	-0.1	0.0	0.0	0.0	1.6
Pensions	3.9	-0.3	0.0	0.0	0.0	3.6
Consolidation entries	5.5	0.8	0.0	0.0	0.0	6.3
Change in fair value	3.5	0.0	-2.0	0.0	0.0	1.5
Other temporary differences for assets	5.3	6.7	0.0	-0.3	0.0	11.7
Total	50.7	2.9	-2.0	-0.9	0.0	50.7

Deferred tax liabilities

MEUR	Jan 1, 2006	Charged to income statement	Charged to shareholders' equity	Translation difference	Acquired / sold companies	Dec 31, 2006
Depreciation difference	4.3	-1.2	0.0	0.1	0.1	3.3
Goodwill amortization	1.5	1.1	0.0	-0.2	0.0	2.4
Trademark	6.1	0.0	0.0	0.0	1.6	7.7
Research and development	0.3	-0.3	0.0	0.0	0.0	0.0
Change in fair value	1.9	0.0	3.7	-0.1	0.0	5.5
Other temporary differences for liabilities	4.4	2.9	0.0	-0.7	5.0	11.6
Total	18.5	2.5	3.7	-0.9	6.7	30.5

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
Trademark	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
Other temporary differences for liabilities	9.3	-5.1	-	0.1	0.1	4.4
Total	19.8	-3.3	1.9	0.0	0.1	18.5

On December 31, 2006 the Group had EUR 138.5 (Dec 31, 2005: 155.5) 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 (Dec 31, 2005: 1.3) million will expire during next five years and the rest EUR 137.1 (Dec 31, 2005: 154.2) 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, 2006	Dec 31, 2005
Raw materials and supplies	179.1	145.1
Work in progress	181.0	176.3
Finished goods	149.0	130.2
Advance payments	19.8	12.8
Total	528.9	464.4

Obsolescence allowances of inventories to net realisable value were EUR 29.4 (Dec 31, 2005: 33.5) million during the period.

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

Non-current receivables

MEUR	Dec 31, 2006	Dec 31, 2005
Derivative assets	5.1	2.5
Other non-interest-bearing assets	2.8	1.6
Total	7.9	4.1

Current receivables

MEUR	Dec 31, 2006	Dec 31, 2005
Accounts receivable	389.3	377.0
Deferred interests	0.1	2.5
Other deferred assets	54.8	60.7
Derivative assets	22.5	11.1
Total	466.7	451.3

The Group has deducted EUR 11.9 (Dec 31, 2005: 10.3) million for doubtful accounts from accounts receivable.

20. Cash and Cash Equivalents

MEUR	Dec 31, 2006	Dec 31, 2005
Cash at bank and in hand	59.6	62.9
Commercial papers	0.0	29.3
Short-term deposits	64.7	22.3
Total	124.3	114.5

Cash and cash equivalents in the cash flow statement

MEUR	Dec 31, 2006	Dec 31, 2005
Total cash and cash equivalents	124.3	114.5
Bank overdrafts used	-9.8	-3.3
Cash and cash equivalents in the cash flow statement	114.5	111.2

The average effective interest rate of the commercial papers and short-term deposits portfolio on December 31, 2006 was 3.65 (Dec 31, 2005: 2.30) percent.

21. Equity

Total equity consists of share capital, share premium account, treasury shares, translation differences, fair value reserves, retained earnings and minority interest. The share premium account includes the impacts of change in share capital, which exceeds the accounting par value of the shares. Translation differences caused by translation of foreign companies' financial statements are included in translation differences. Fair value reserves include the changes in fair value of derivatives hedging cash flows and changes in fair value of available-for-sale financial assets. Net income for the period is recorded in retained earnings.

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 million. The number of class A shares is at maximum 260 million and the number of class B shares is at maximum 260 million. Cargotec class B shares are listed on 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. The 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. Cargotec share capital is fully paid up.

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 class B shares entitle the holder to a higher dividend than class A shares. 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.

At the end of 2006, Cargotec held 704,725 (Dec 31, 2005: 203,700) class B shares as treasury shares. The total cost for shares purchased during the financial period was EUR 18.9 (Jun 1–Dec 31, 2005: 5.0) million. Board authorizations to resolve to repurchase and to dispose treasury shares and to increase the share capital are presented in the chapter Shares and Shareholders.

Number of shares

	Number of class A shares	Number of class B shares	Total
Number of shares on June 1, 2005	9,526,089	54,228,666	63,754,755
Share subscription with option rights		166,200	166,200
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	9,526,089	54,191,166	63,717,255
Number of shares on January 1, 2006	9,526,089	54,394,866	63,920,955
Share subscription with option rights		125,505	125,505
Number of shares on December 31, 2006	9,526,089	54,520,371	64,046,460
Treasury shares on December 31, 2006		-704,725	-704,725
Number of shares outstanding on December 31, 2006	9,526,089	53,815,646	63,341,735

Dividend distribution

After December 31, 2006 the following dividends were proposed by the Board of Directors be paid: EUR 0.99 per each class A share and EUR 1.00 per each class B share in circulation, a total of EUR 63,246,474.11.

22. Share-based Payments

Option program

Cargotec option rights 2005A and 2005B are based on the demerged Kone Corporation's 2004 option program. At the effective date of the demerger June 1, 2005, 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 2005A option right of Cargotec and one series A option right of new KONE, and each series B option right of Kone was converted into one 2005B option right of Cargotec and one series B option right of new KONE.

At the date of the demerger on June 1, 2005, the personnel of the demerged Kone Corporation held 72,185 Cargotec 2005A option rights and 125,240 Cargotec 2005B option rights.

Cargotec's 2005A and 2005B option rights are listed on the Helsinki Stock Exchange. Each Cargotec option right entitles the holder to subscribe for three class B shares in Cargotec. 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 the registration of the increase of the share capital in the trade register. The share subscription price is EUR 8.59. 2005A and 2005B 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 Board of Directors, so that 2005A option rights entitle subscription during the period June 13, 2005–March 31, 2008, and 2005B option rights during the period June 13, 2005–March 31, 2009.

Share-based payments

Cargotec has applied IFRS 2 (Share-based Payment) to option and plans where options have been granted and vesting period has been started after the formation of the Company on June 1, 2005.

In July 2005, Cargotec's Board of Directors decided on a new share-based incentive scheme for 35 top management members. The scheme includes share options and synthetic options. The duration of the incentive scheme at the grant date was 1.6 years. The top management was granted 20,660 Cargotec 2005B option rights and 65,000 synthetic option rights.

The fair value of the share option rights at the grant date was based on the weighted average trading price of Cargotec 2005A and 2005B option rights during June–August 2005 and was EUR 46.05. The option rights were granted free of charge and were fully expensed at the grant as there were not employment obligation connected to them. The option rights will be handed over to the participants of the incentive scheme at February 2007.

The fair value of the synthetic options at closing date is determined to EUR 24.19 (Dec 31, 2005: 11.79). The earnings criteria is Cargotec's class B share performance during July 2005–February 2007. The incentive scheme ends at March 2007, when the synthetic options will be settled in cash. The synthetic options will be lost if the holder leaves the company before the vesting period ends. The fair value of the options has been determined using the Black-Scholes valuation model. Expected volatility is based on the historical volatility. The factors used in the valuation are presented in the table below.

	Synthetic options granted
Risk-free rate, %	3.5
Share price at the grant date, EUR	29.29
Exercise price, EUR	18.00
Expected volatility, %	30
Expected departures, %	0

Changes in the number of option rights

	Number of options
At the beginning of the financial period June 1, 2005	197,425
New option rights granted	20,660
Exercised option rights	-55,400
At the end of financial period December 31, 2005	162,685
Exercisable option rights on December 31, 2005	142,025

	Number of options
At the beginning of the financial period January 1, 2006	162,685
New option rights granted	-
Exercised option rights	-41,835
At the end of financial period December 31, 2006	120,850
Exercisable option rights on December 31, 2006	100,190

The weighted average share price at the dates of exercise of share options in 2006 was EUR 33.36 (Jun 1–Dec 31, 2005: 25.25).

23. Interest-bearing Liabilities

MEUR	Carrying amount Dec 31, 2006	Carrying amount Dec 31, 2005
Non-current		
Loans from financial institutions	85.8	85.3
Corporate bonds	99.7	99.7
Finance lease liabilities	9.5	12.1
Total	195.0	197.1
Current portion of long-term loans		
Loans from financial institutions	0.0	18.4
Corporate bonds	-	-
Finance lease liabilities	4.8	3.4
Total	4.8	21.8
Current		
Loans from financial institutions	22.6	14.0
Bank overdrafts used	9.8	3.3
Total	32.4	17.3
Total interest-bearing liabilities	232.2	236.2

The interest-bearing liabilities include a domestic, fixed-interest corporate bond at a nominal value of EUR 100 million issued in June 2005. The coupon is 3.80 percent and maturity seven years. In addition Cargotec has a EUR 150 million commercial paper program and long-term credit limits for a total of EUR 432 million. The credit limits were unused on December 31, 2006.

The fair value of the Corporate bond on December 31, 2006 was EUR 95.9 (Dec 31, 2005: 98.9) million. The fair value of other interest-bearing liabilities are not materially different from their carrying amounts.

Cargotec Corporation has placed a EUR 225 million (USD 300 million) fixed-interest Private Placement with U.S. institutional investors. The placement carries maturities ranging between 7 and 12 years and will be funded in February 2007.

Interest-bearing liabilities by currency

MEUR	Dec 31, 2006	Dec 31, 2005
EUR	177.3	173.3
SEK	23.4	40.0
CNY	10.6	-
USD	6.2	4.0
JPY	2.0	5.9
Other	12.7	13.0
Total	232.2	236.2

Average effective interest rate

%	Dec 31, 2006	Dec 31, 2005
Long-term loans from financial institutions	3.9	2.6
Corporate bonds	3.8	3.8
Finance lease liabilities	5.6	5.3
Short-term loans from financial institutions	4.8	2.6

Repayment schedule of non-current interest-bearing liabilities on December 31, 2006

MEUR	2008	2009	2010	2011	Later	Total
Loans from financial institutions	13.1	0.0	22.7	20.0	30.0	85.8
Corporate bonds	-	-	-	-	99.7	99.7
Finance lease liabilities	3.4	1.3	0.9	0.5	3.3	9.5
Total	16.5	1.3	23.6	20.5	133.0	195.0

Repayment schedule of non-current interest-bearing liabilities on December 31, 2005

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 corporate bonds are repaid in year 2012.

Interest fixing periods on December 31, 2006

MEUR	0–6 mths	6–12 mths	12–24 mths	24–36 mths	Later	Total
Interest-bearing assets	-124.3	0.0	-0.3	-0.1	-	-124.7
Non-current loans from financial institutions	85.7	-	-	-	0.1	85.8
Corporate bonds	-	-	-	-	99.7	99.7
Finance lease liabilities	1.0	0.9	1.0	2.9	8.5	14.3
Current interest-bearing liabilities	32.3	0.1	-	-	-	32.4
Interest rate swaps	0.0	-	-	-	-	0.0
Net	-5.3	1.0	0.7	2.8	108.3	107.5

Interest fixing periods on December 31, 2005

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

The interest fixing period for the corporate bonds on December 31, 2006 was 6 years.

Finance lease liabilities

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

Minimum lease payments

MEUR	Dec 31, 2006	Dec 31, 2005
Minimum lease payments		
Less than 1 year	5.6	3.8
1–5 years	7.2	10.4
Over 5 years	5.3	5.2
Total	18.0	19.4
Future finance charges	-3.7	-3.9
Present value of finance lease liabilities	14.3	15.5

Present value of minimum lease payments

MEUR	Dec 31, 2006	Dec 31, 2005
Less than 1 year	4.8	3.4
1–5 years	6.2	8.8
Over 5 years	3.3	3.3
Present value of finance lease liabilities	14.3	15.5

24. Employee Benefits

The Group has various employee benefit 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		Other post-employment benefits			Total
	Dec 31, 2006	Dec 31, 2005	Dec 31, 2006	Dec 31, 2005	Dec 31, 2006	Dec 31, 2005
	Present value of unfunded obligations	28.6	28.5	-	0.3	28.6
Present value of funded obligations	39.9	38.4	-	-	39.9	38.4
Fair value of benefit plans' assets	-27.9	-27.2	-	-	-27.9	-27.2
Unrecognized actuarial gains (+)/losses (-)	-4.4	-4.9	-	-	-4.4	-4.9
Total	36.2	34.8	0.0	0.3	36.2	35.1

Movement in the benefit obligation

MEUR	Defined benefit plans		Other post-employment benefits			Total
	Dec 31, 2006	Dec 31, 2005	Dec 31, 2006	Dec 31, 2005	Dec 31, 2006	Dec 31, 2005
	Benefit obligation at the beginning of period	66.9	59.7	-	0.7	66.9
Current service costs	1.5	1.2	-	-	1.5	1.2
Interest costs	2.6	2.1	-	-	2.6	2.1
Contributions by plan participants	0.0	0.0	-	-0.5	0.0	-0.5
Net actuarial gains (-)/losses (+) recognized	-0.1	4.6	-	-	-0.1	4.6
Translation difference	0.6	0.0	-	-	0.6	0.0
Benefits paid	-2.3	-1.4	-	-	-2.3	-1.4
Acquisitions/Disposals of new companies	0.0	0.8	-	-	0.0	0.8
Curtailments	-0.7	-0.1	-	-	-0.7	-0.1
Past-service costs	0.0	0.0	-	-	0.0	0.0
Benefit obligation Dec 31, 2006	68.5	66.9	0.0	0.2	68.5	67.1

Movement in the fair value of plan assets

MEUR	Defined benefit plans		Other post-employment benefits			Total
	Dec 31, 2006	Dec 31, 2005	Dec 31, 2006	Dec 31, 2005	Dec 31, 2006	Dec 31, 2005
	Plan assets at the beginning of period	27.2	24.7	-	-	27.2
Expected return on plans assets	1.2	0.9	-	-	1.2	0.9
Net actuarial gains (-)/losses (+) recognized	-0.1	1.2	-	-	-0.1	1.2
Translation difference	0.1	0.0	-	-	0.1	0.0
Employer contribution	1.2	0.7	-	-	1.2	0.7
Employee contribution	0.0	-0.4	-	-	0.0	-0.4
Benefits paid	-1.7	-0.6	-	-	-1.7	-0.6
Acquisitions/Disposals of new companies	0.0	0.0	-	-	0.0	0.0
Settlements	0.0	0.7	-	-	0.0	0.7
Plan assets Dec 31, 2006	27.9	27.2	0.0	0.0	27.9	27.2

Pensions recognised in income statement

MEUR	Jan 1–Dec 31, 2006	Jun 1–Dec 31, 2005
Defined contribution pension plans	22.1	11.5
Defined benefit pension plans	2.6	2.9
Other post-employment benefits	0.0	0.0
Total	24.7	14.4

Defined benefit plans

MEUR	Jan 1–Dec 31, 2006	Jun 1–Dec 31, 2005
Current service costs	1.6	1.1
Interest costs	2.6	1.5
Expected return on plan assets	-1.2	-0.7
Net actuarial gains (-)/losses (+) recognized	0.0	0.0
Past-service costs	-0.1	1.2
Gains/loss curtailments	-0.3	-0.2
Total	2.6	2.9

Defined benefit plans: Assumptions used in calculating benefit obligations

	2006		2005	
	Europe	USA	Europe	USA
Discount rate, %	3.11–5.1	5.75	4.0–5.0	5.75
Expected return on plan assets, %	4.0–5.5	7.0	4.0–5.5	7.0
Future salary increase, %	2.0–4.75	4.5	2.7–4.2	4.5
Future pension increase, %	2.0–3.6		2–3.4	
Expected average remaining working years	10–24		10–24	

25. Provisions

MEUR	Provision for warranty	Provision for claims	Provision for business re-organization	Provision for loss contracts	Other provisions	Total
Total provision Jan 1, 2006	44.1	0.5	0.7	1.5	17.3	64.1
Translation difference	0.0	0.0	-0.1	-0.1	0.3	0.1
Increase	25.8	0.2	0.0	6.2	1.7	33.9
Provision used	-15.6	-0.1	-0.4	-1.6	-3.2	-20.9
Reversal of provision	-5.4	0.0	-0.1	-0.1	-0.1	-5.7
Companies acquired / sold	1.8	0.0	0.0	0.0	-0.4	1.4
Total provision Dec 31, 2006	50.7	0.6	0.1	5.9	15.6	72.9

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	Dec 31, 2006	Dec 31, 2005
Non-current liabilities	30.3	18.2
Current liabilities	42.6	45.9
Total	72.9	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. related to product quality, severance, unemployment and other employment items, taxes and the sale of divested operations.

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

Non-current liabilities

MEUR	Dec 31, 2006	Dec 31, 2005
Derivative liabilities	3.1	6.0
Other non-interest-bearing liabilities	15.9	12.1
Total	19.0	18.1

Current liabilities

MEUR	Dec 31, 2006	Dec 31, 2005
Accounts payable	305.1	288.7
Advances received	147.4	119.6
Accrued interests	3.0	5.0
Share-based incentives	4.7	0.6
Accrued salaries, wages and employment costs	71.8	60.7
Advance rents, customer finance	17.1	14.1
Other accrued expenses	116.1	111.3
Derivative liabilities	15.7	22.9
Total	680.9	622.9

27. Commitments

MEUR	Dec 31, 2006	Dec 31, 2005
Guarantees	0.5	1.2
Customer finance	15.2	17.7
Operating leases	38.1	29.5
Other contingent liabilities	3.9	4.1
Total	57.7	52.5

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

The future minimum lease payments under non-cancellable operating leases

MEUR	Dec 31, 2006	Dec 31, 2005
Less than 1 year	11.9	9.4
1–5 years	22.2	19.0
Over 5 years	4.0	1.1
Total	38.1	29.5

The aggregate operating lease expenses totaled EUR 11.1 (Jun 1–Dec 31, 2005: 6.0) million.

Customer finance commitments

MEUR	Dec 31, 2006	Dec 31, 2005
Dealer financing	8.5	9.9
End customer financing	6.7	7.8
Total	15.2	17.7

28. Derivatives

Fair values of derivative financial instruments

MEUR	Positive fair value Dec 31, 2006	Negative fair value Dec 31, 2006	Net fair value Dec 31, 2006
FX forward contracts, cash flow hedges	27.1	8.5	18.6
FX forward contracts, non-hedge accounted	0.2	9.3	-9.1
Interest rate swaps, non-hedge accounted	-	0.0	0.0
Cross currency and interest rate swaps, cash flow hedges	0.3	1.0	-0.7
Total	27.6	18.8	8.8
Non-current portion:			
FX forward contracts, cash flow hedges	4.8	2.1	2.7
Cross currency and interest rate swaps, cash flow hedges	0.3	1.0	-0.7
Non-current portion	5.1	3.1	2.0
Current portion	22.5	15.7	6.8

MEUR	Positive fair value Dec 31, 2005	Negative fair value Dec 31, 2005	Net fair value Dec 31, 2005
FX forward contracts, cash flow hedges	10.8	25.2	-14.4
FX forward contracts, non-hedge accounted	2.8	3.0	-0.2
Interest rate swaps, non-hedge accounted	-	0.7	-0.7
Cross currency and interest rate swaps, cash flow hedges	-	-	-
Total	13.6	28.9	-15.3
Non-current portion:			
FX forward contracts, cash flow hedges	2.5	6.0	-3.5
Cross currency and interest rate swaps, cash flow hedges	-	-	-
Non-current portion	2.5	6.0	-3.5
Current portion	11.1	22.9	-11.8

Cross currency and interest rate swaps are to hedge the US Private Placement, which is to be funded in February 2007.

Nominal values of derivative instruments

MEUR	Dec 31, 2006	Dec 31, 2005
FX forward contracts	1,752.7	1,349.5
Interest rate swaps	10.0	45.0
Cross currency swaps	225.7	-
Total	1,988.4	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, 2006	Dec 31, 2005
Less than 1 year	15.8	12.2
1–5 years	23.4	21.5
Over 5 years	0.2	1.3
Total	39.4	35.0

Rent income recognized in sales was EUR 13.7 (Jun 1–Dec 31, 2005: 8.3) million.

30. Related-party Transactions

Transactions with associated companies

MEUR	Jan 1–Dec 31, 2006	Jun 1–Dec 31, 2005
Sale of goods and services	9.2	7.2
Purchase of goods and services	5.5	3.9

Balances with associated companies

MEUR	Dec 31, 2006	Dec 31, 2005
Non-current loans receivable	-	0.1
Current loans receivable	0.1	-
Accounts receivable	2.8	2.1
Accounts payable	1.3	1.1

Transactions with associated companies are made at market price.

Employee benefits for top management

MEUR	Jan 1–Dec 31, 2006	Jun 1–Dec 31, 2005
Wages and salaries	3.7	2.0
Share-based top management incentive scheme	0.8	0.5
Post-employment benefits	0.4	0.3
Total	4.9	2.8

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

The period of notice of the President and CEO is six months and he has a right to a compensation for termination of employment of 12 months. Other members of the Executive Board have a period of notice of 6–12 months and are entitled to compensation for termination of employment corresponding to a maximum of 6–12 months' salary. Two members are entitled to retire at the age of 60. In this case, the pension received corresponds to 60 percent of the pensionable salary. This arrangement has been covered with insurances taken out by the company.

Cargotec has not granted any loans or loan guarantees to members of the Board of Directors or the Executive Board. 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		Jan 1–Dec 31, 2006	Jun 1–Dec 31, 2005
Mikael Mäkinen	President and CEO (since May 1, 2006)	329.8	-
Kari Heinistö	Senior Executive Vice President and CFO	374.9	164.5
Ilkka Herlin	Chairman of the Board (since Jul 12, 2005)	65.7	24.0
Henrik Ehrnrooth	Deputy Chairman of the Board (since Jul 12, 2005)	44.5	18.0
Carl-Gustaf Bergström	Board member (since May 1, 2006), President and CEO (Jun 1, 2005–Apr 30, 2006)	468.5	286.4
Tapio Hakakari	Board member (since Jul 1, 2005)	35.6	12.0
Karri Kaitue	Board member (since Jul 1, 2005)	33.5	12.0
Peter Immonen	Board member (since Jul 1, 2005)	36.5	12.0
Antti Herlin	Board member (Jul 12, 2005–Feb 28, 2006), Chairman of the Board (Jun 1–Jul 12, 2005)	4.0	16.8
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	Board member (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

Hiab	Country	Shareholding (%)	
		Parent company	Group
Hiab Cranes AB	Sweden	-	100
Multilift Oy	Finland	-	100
Moffet Engineering Ltd	Ireland	-	100
Princeton Delivery Systems Inc.	United States	-	100
Waltco Truck Equipment Co. Inc.	United States	-	100
Z-Lyften Produktion AB	Sweden	-	100
Loglift Jonsered Oy Ab	Finland	-	100
Hiab Inc.	United States	-	100
Hiab GmbH	Germany	-	100
Hiab K.K.	Japan	-	100
Other subsidiaries (44 companies)			

Kalmar	Country	Shareholding (%)	
		Parent company	Group
Kalmar Industries Oy Ab	Finland	-	100
Kalmar Industries AB	Sweden	-	100
Kalmar Industries USA LLC	United States	-	100
Kalmar Industries B.V.	Netherlands	-	100
Bromma Conquip AB	Sweden	-	100
Kalmar Flurförderzeuge Vertriebs GmbH	Germany	-	100
Kalmar Asia Pacific Ltd	Hong Kong	-	77
Kalmar Ltd.	Great Britain	-	100
Kalmar Hebefahrzeuge Handelges.m.b.H	Austria	-	100
Kalmar RT Center LLC	United States	-	100
Other subsidiaries (36 companies)			

MacGREGOR	Country	Shareholding (%)	
		Parent company	Group
MacGREGOR (FIN) Oy	Finland	-	100
MacGREGOR (SWE) AB	Sweden	-	100
MacGREGOR-Kayaba, Ltd.	Japan	-	75
All Set Marine Lashing AB	Sweden	-	100
MacGREGOR Bulk AB	Sweden	-	100
MacGREGOR (DEU) GmbH	Germany	-	100
MacGREGOR (USA) Inc.	United States	-	100
MacGREGOR (Shanghai) Trading Co., Ltd	China	-	100
MacGREGOR (SGP) Pte Ltd	Singapore	-	100
MacGREGOR (ITA) S.r.l	Italy	-	100
Other subsidiaries (42 companies)			

Others	Country	Shareholding (%)	
		Parent company	Group
Cargotec Holding Sverige AB	Sweden	100	100
Other subsidiaries (10 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.

32. Events after the Balance Sheet Date

In December 2006, Kalmar made an agreement to acquire the majority of the shares of its Spanish distributor Kalmar Espana S.A, the leading distributor and service provider for material handling customers in Spain. The company employs six people and had net sales of approximately EUR 11 million in 2005. The acquisition is subject to relevant competition authority approval.

In the end of December 2006, Kalmar made an agreement to acquire CVS Ferrari Group. This acquisition will strengthen Kalmar's market position and service capabilities in the South European and other Mediterranean markets and complement Kalmar's product offering with new innovative container handling equipment. CVS Ferrari's net sales for 2006 are estimated to amount to EUR 85 million. CVS Ferrari employs some 305 people. The agreement signed is subject to competition authority approval.

In January 2007, Kalmar made an agreement to acquire Tagros d.o.o. a Slovenia-based service company. Tagros provides maintenance of container handling equipment and industrial forklifts at the Port of Koper in Slovenia. Tagros had net sales of approximately EUR 2 million in 2006 and employs some 35 employees. The agreement signed with Tagros d.o.o. is subject to competition authority approval.

In January 2007, Hiab signed an agreement of intent to acquire the sales, service and installation operations of its distributor Berger in four Eastern European countries: Croatia, Czech Republic, Hungary and Slovakia. These operations consist of seven sales and service/installation points, which have annual sales of approximately EUR 16 million and employ some 85 people. The transaction is subject to due diligence.

In January 2007, Kalmar signed an agreement to acquire Truck och Maskin i Örnsköldsvik AB, a sales and service company assisting heavy industrial handling customers in Norrland, the northern region of Sweden. The company's main activities are the sales and service of materials handling equipment. The company's annual sales in the last fiscal year that ended on April 30, 2006 were approximately EUR 14 million. The operations employ almost 100 people. The agreement is subject to competition authority approval.

In January 2007, Hiab made an agreement to acquire the majority of its Australian importer BG Crane Pty. Ltd., a leading distributor and service provider for load handling customers in Australia. The company employs some 100 people in its six branches in Australia and had net sales of approximately EUR 20 million in 2006.

Financial Statements of the Parent Company (FAS)

Parent Company Income Statement

MEUR	Jan 1–Dec 31, 2006	Jun 1–Dec 31, 2005
Sales	9.7	4.8
Administration expenses	-15.5	-3.2
Other operating income	-	69.6
Other operating expenses	-0.7	-9.7
Operating income/loss	-6.5	61.5
Financing income and expenses		
Interest and other financial income		
From subsidiaries	143.2	18.7
From other	93.8	56.6
Interest and other financial expenses		
To subsidiaries	-20.7	-7.6
To other	-162.5	-60.5
Total financing income and expenses	53.8	7.2
Income before extraordinary items	47.3	68.7
Extraordinary items		
Extraordinary income	47.6	12.0
Extraordinary expenses	-	-2.0
Total extraordinary items	47.6	10.0
Income before appropriations and taxes	94.9	78.7
Taxes	-6.3	-5.3
Profit for the financial period	88.6	73.4

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

Parent Company Balance Sheet

MEUR	Dec 31, 2006	Dec 31, 2005	MEUR	Dec 31, 2006	Dec 31, 2005
Assets			Equity and liabilities		
Non-current assets			Capital and reserves		
Intangible assets			Share capital	64.0	63.9
Intangible rights	0.1	0.1	Share premium account	96.0	95.1
Other long-term expenditures	0.0	0.1	Fair value reserve	-0.5	-
Total intangible assets	0.1	0.2	Treasury shares	-23.8	-5.0
Tangible assets			Retained earnings	840.3	808.2
Buildings	0.1	0.1	Profit for the financial period	88.6	73.4
Machinery and equipment	0.1	0.2	Total capital and reserves	1,064.9	1,035.6
Other tangible assets	0.1	-	Provisions	-	0.3
Total tangible assets	0.3	0.3	Liabilities		
Investments			Long-term liabilities		
Shares in subsidiaries	1,550.9	957.0	Loans from financial institutions	185.4	184.5
Other stocks and shares	1.4	1.0	Liabilities to subsidiaries	50.0	50.0
Total investments	1,522.3	958.0	Derivative liabilities	1.0	-
Total non-current assets	1,522.7	958.5	Deferred tax liability	0.1	-
Current assets			Total long-term liabilities	236.5	234.5
Receivables			Current liabilities		
Long-term receivables			Loans from financial institutions	5.4	16.6
Receivables from subsidiaries	42.4	50.9	Accounts payable	1.1	0.4
Derivative assets	0.3	-	Liabilities to subsidiaries	803.7	562.3
Deferred tax asset	0.3	-	Other liabilities	0.0	-
Total long-term receivables	43.0	50.9	Deferred liabilities	10.0	11.7
Short-term receivables			Total current liabilities	820.2	591.0
Accounts receivable	1.8	0.0	Total liabilities	1,056.7	825.5
Receivables from subsidiaries	436.7	789.8	Total equity and liabilities	2,121.3	1,861.4
Deferred assets	0.9	3.6			
Total short-term receivables	439.4	793.4			
Total receivables	482.4	844.3			
Cash and bank	86.2	58.6			
Total current assets	568.6	902.9			
Total assets	2,121.3	1,861.4			

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

Key Figures

Key Financial Figures

Consolidated Income Statement		2006	Jun 1–Dec 31, 2005	Pro forma 2005	Pro forma 2004	Pro forma 2003
Sales	MEUR	2,597	1,419	2,358	1,900	1,658
Exports from and sales outside Finland	MEUR	2,528	1,374	2,288	1,835	1,597
Operating income	MEUR	240	125	195	124	85
% of sales	%	9.2	8.8	8.3	6.5	5.1
Operating income from operations	MEUR	222 2)	113 1)	179 1)	124	85
% of sales	%	8.5 2)	8.0 1)	7.6 1)	6.5	5.1
Income before taxes	MEUR	232	126	191	113	72
% of sales	%	8.9	8.8	8.1	6.0	4.4
Net income for the period	MEUR	166	87	137	78	53
% of sales	%	6.4	6.2	5.8	4.1	3.2

Other key figures		2006	Jun 1–Dec 31, 2005	Pro forma 2005	Pro forma 2004	Pro forma 2003
Depreciation and amortization	MEUR	41	24	38	33	35
Capital expenditure in intangible assets and property, plant and equipment	MEUR	47	18	29	25	25
Capital expenditure in customer financing	MEUR	22	21	28	18	7
Total % of sales	%	2.6	2.8	2.4	2.2	1.9
Research and development costs	MEUR	31	18	30	29	29
% of sales	%	1.2	1.2	1.3	1.5	1.7
Equity	MEUR	877	767	767	654	586
Total assets	MEUR	1,988	1,781	1,781	1,639	1,492
Interest-bearing net debt	MEUR	107	121	121	281	361
Return on equity	%	20.2	20.8 3)	19.2	12.6	-
Return on capital employed	%	23.1	21.9 3)	20.9	12.9	-
Total equity/total assets	%	47.6	46.2	46.2	42.2	40.7
Gearing	%	12.3	15.7	15.7	43.0	61.7
Orders received	MEUR	2,910	1,366	2,385	2,337	1,848
Order book	MEUR	1,621	1,257	1,257	1,219	807
Average number of employees		8,026	7,446	7,388	7,201	7,383
Number of employees at the end of period		8,516	7,571	7,571	7,294	6,997
Dividends	MEUR	63 4)	41	41	-	-

1) Excluding gain on the sale of Consolis and impact of the final accounting of MacGREGOR acquisition

2) Excluding gain on the sale of property

3) Annualized

4) Board's proposal

Share-related Key Figures

		2006	Jun 1–Dec 31, 2005	Pro forma 2005	Pro forma 2004	Pro forma 2003
Earnings per share						
Basic earnings per share	EUR	2.57	1.35 5)	2.11	1.20	0.81
Diluted earnings per share	EUR	2.56	1.34 6)	2.10	1.20	0.80
Equity per share	EUR	13.72	11.93	11.93	10.17	9.11
Dividend per class B share	EUR	1.00 4)	0.65	-	-	-
Dividend per class A share	EUR	0.99 4)	0.64	-	-	-
Dividend per earnings, class B share	%	38.9 4)	48.2	-	-	-
Dividend per earnings, class A share	%	38.5 4)	47.5	-	-	-
Effective dividend yield, class B share	%	2.4	2.2	-	-	-
Price per earnings, class B share		16.4	21.7	-	-	-
Development of share price, class B share						
Average share price	EUR	34.62	24.59	-	-	-
Highest share price	EUR	43.50	30.40	-	-	-
Lowest share price	EUR	28.84	21.84	-	-	-
Closing price at the end of period	EUR	42.10	29.29	-	-	-
Market capitalization at the end of period 7)	MEUR	2,667	1,866	-	-	-
Market capitalization of class B shares at the end of period 8)	MEUR	2,266	1,593	-	-	-
Trading volume, number of class B shares traded	('000)	52,909	43,423	-	-	-
Trading volume, number of class B shares traded	%	97.6	80.1	-	-	-
Weighted average number of class A shares 9)	('000)	9,526	9,526	9,526	9,526	9,526
Number of class A shares at the end of period 9)	('000)	9,526	9,526	9,526	9,526	9,526
Weighted average number of class B shares 8)	('000)	54,169	54,222	54,225	54,229	54,229
Number of class B shares at the end of period 8)	('000)	53,816	54,191	54,191	54,229	54,229
Diluted weighted average number of class B shares 8)	('000)	54,502	54,613	54,630	54,641	54,641

4) Board's proposal

5) Annualized earnings per share EUR 2.31

6) Annualized earnings per share EUR 2.30

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

8) Excluding treasury shares

9) No dilution on class A shares

Calculation of Key Figures

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

Shares and Shareholders

Shares and Share Capital

Cargotec's shares are registered in the book-entry securities system maintained by the Finnish Central Securities Depository. On December 31, 2006, Cargotec's share capital comprised 54,520,371 class B shares listed on the Helsinki Stock Exchange and 9,526,089 unlisted class A shares. 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. The total number of votes attached to all shares was 14,977,375 at the end of the year.

Tickers

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

Class B share

ISIN code: FI0009013429
 Ticker: CGCBV
 Index: OMX Helsinki CAP
 Sector: Industrials
 Reuters ric: CGC.HE
 Bloomberg: CGCBV FH

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

2005A option right

ISIN code: FI0009618359
 Ticker: CGCBVEW105
 Number of listed option rights: 72,185
 Conversion rate: 1:3
 Subscription price: EUR 8.59 per share
 Share subscription period: June 13, 2005–March 31, 2008

2005B option right

ISIN code: FI0009618367
 Ticker: CGCBVEW205
 Number of listed option rights: 145,900
 Conversion rate: 1:3
 Subscription price: EUR 8.59 per share
 Share subscription period: June 13, 2005–March 31, 2009

Market Capitalization and Trading

The market quotation for Cargotec's class B share increased by 44 percent during the period, the share closing at EUR 42.10 on December 31, 2006. The average share price for the financial period was EUR 34.62, the highest quotation being EUR 43.50 and the lowest EUR 28.84.

On December 31, 2006, the total market value of the company's class B shares was EUR 2,266 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 average closing price of class B shares on the last trading day of the financial period, was EUR 2,667 million, excluding treasury shares held by the company.

During the financial period, approximately 52.9 million Cargotec class B shares were traded on the Helsinki Stock Exchange, corresponding to a turnover of approximately EUR 1,829 million. The average daily trading volume was 210,795 shares or EUR 7,285,529.

Up-to-date information on the share price is available on the company's website at www.cargotec.com/investors.

Share price and volume



Board Authorizations and Purchase of Own Shares

Cargotec's Annual General Meeting of February 28, 2006 authorized the Board of Directors to decide to repurchase the Company's own shares with assets distributable as profit. Own shares can 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 be cancelled. 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 6,391,000 shares of which no more than 952,000 are class A shares and 5,439,000 are class B shares.

Based on the above-mentioned authorization, Cargotec repurchased 501,025 class B shares at the market price in public trading on the Helsinki Stock Exchange during the period June 14–November 22, 2006 at an average purchase price of EUR 37.61 per share. In June, 1,025 shares were acquired at an average purchase price of EUR 28.93 per share and in November, 500,000 shares averaging EUR 37.63 per share. During the period, the total accounting par value of the repurchased shares was EUR 501,025, their share of the share capital was 0.78 percent, and their share of the total voting rights was 0.33 percent. The repurchased shares were in the company's possession on December 31, 2006. With regard to the authorization, an amount corresponding to 952,000 class A shares and 4,937,975 class B shares remained unused on December 31, 2006. On December 31, 2006, the company held a total of 704,725 class B shares, accounting for 1.10 percent of the share capital and 0.47 percent of the total voting rights of all shares. The total accounting par value of the shares was EUR 704,725. Repurchasing of shares had no significant impact on the division of ownership and voting rights in the company.

In addition, the Annual General Meeting authorized the Board of Directors to decide to distribute any shares repurchased. The repurchased 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 also has the right to decide on the distribution of the shares in public trading in the Helsinki Stock Exchange to be used as compensation in possible acquisitions. The authorization is limited to a maximum of 952,000 class A shares and 5,439,000 class B

shares repurchased by the Company. The Board of Directors was authorized to decide to whom and in which order the repurchased shares will be distributed. The authorization remained unused on December 31, 2006.

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

Option Program

Cargotec's option program is based on the demerged Kone Corporation's 2004 option program, under which each series A option right of Kone Corporation was converted into one 2005A option right of Cargotec and each series B option right of Kone Corporation was converted into one 2005B option right of Cargotec. For a more detailed description of the option program, see Note 22 of the Financial Statements.

Shares Subscribed for under the Option Rights

Cargotec's 2005A and 2005B option rights are listed on the Helsinki Stock Exchange. The closing price of a 2005A option right was EUR 93.09 and a 2005B option right EUR 95.00 at the year-end. The highest quote for a 2005A option right was EUR 99.55 and the lowest was EUR 60.79 while the corresponding figures for a 2005B option right were EUR 99.99 and EUR 59.70.

At the beginning of the financial period the number of 2005A and 2005B option rights were 54,555 and 108,130 respectively. 125,505 class B shares were subscribed for during the period, increasing the share capital by EUR 125,505. At the end of the financial period the number of 2005A and 2005B option rights were respectively 37,895 and 82,955. The changes in share capital are specified in Note 21 of the Financial Statements.

Shareholders

At the end of 2006, Cargotec had approximately 12,000 shareholders, the largest shareholder being Sijoitus-Wipunen Oy. There were 24,373,026 nominee-registered shares, representing 38.48 percent of the share capital excluding shares held by the company, which corresponded to approximately 16 percent of all votes. A monthly updated list of Cargotec's major shareholders is available on the company's website at www.cargotec.com/investors.

Shares and Options held by the Board of Directors and Management

On December 31, 2006, the aggregate shareholding 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 4,220,900 class B shares, which corresponded to 11.31 percent of the total number of all class A and class B shares and 22.55 percent of all votes. At the end of 2006, the Board of Directors, the President and CEO, and the Senior Executive Vice President and CFO owned a total of 2005A and 2005B option rights 2,000 and 4,000 respectively. Assuming that all option rights had been 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 22.46 percent of the votes on December 31, 2006.

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/investors.

Shareholders by Category on Dec 31, 2006



% of share capital excl. shares held by the Company

- Nominee registered 38.5%
- Finnish institutions, companies and foundations 13.9%
- Niklas Herlin 11.2%*
- Ilkka Herlin 11.1%*
- Ilona Herlin 10.6%*
- Finnish households 9.7%
- Non-Finnish shareholders 5.1%

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

Breakdown of Share Ownership on December 31, 2006

	Number of shareholders	% of shareholders	Total shares	% of share capital excl. shares held by the Company
1-100	4,586	39.80	273,597	0.43
101-500	4,531	39.32	1,180,846	1.86
501-1,000	1,115	9.68	862,634	1.36
1,001-10,000	1,162	10.08	3,348,439	5.29
10,001-100,000	104	0.90	2,730,991	4.31
100,001-1,000,000	17	0.15	4,054,790	6.40
over 1,000,000	9	0.08	50,884,822	80.33
Total	11,524	100.00	63,336,119	99.99
from which nominee registered	13		24,373,026	38.48
In the joint book-entry account			5,616	0.01
Number of shares outstanding			63,341,735	100.00
Treasury shares on December 31, 2006	1		704,725	
Total number of shares issued	11,525		64,046,460	

Major Shareholders on December 31, 2006

Shareholder	Number of shares		Shares	Shares, %	Votes	Votes, %
	Class A shares	Class B shares				
1 Ownership of Niklas Herlin, total		4,133,985	7,074,052	11.05	3,353,465	22.39
Mariatorp Oy	2,940,067	3,750,000	6,690,067	10.45	3,315,067	22.13
Herlin Niklas		383,985	383,985	0.60	38,398	0.26
2 Ownership of Ilkka Herlin, total		4,060,000	7,000,067	10.93	3,346,067	22.34
Sijoitus-Wipunen Oy	2,940,067	4,000,000	6,940,067	10.84	3,340,067	22.30
Herlin Ilkka		60,000	60,000	0.09	6,000	0.04
3 D-sijoitus Oy (in Ilona Herlin's controlling power)	2,940,067	3,750,000	6,690,067	10.45	3,315,067	22.13
4 Toshiba Elevator And Building Systems Corporation		3,023,340	3,023,340	4.72	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		1,686,410	1,686,410	2.63	168,641	1.13
7 Cargotec Corporation		704,725	704,725	1.10	70,472	0.47
8 Ilmarinen Mutual Pension Insurance Company		588,042	588,042	0.92	58,804	0.39
9 Tapiola Mutual Pension Insurance Company		440,000	440,000	0.69	44,000	0.29
10 The State Pension Fund		440,000	440,000	0.69	44,000	0.29
11 Nurminen Hanna		390,001	390,001	0.61	39,000	0.26
12 Investment Fund Aktia Capital		185,000	185,000	0.29	18,500	0.12
13 Blåberg Karolina		182,745	182,745	0.29	18,274	0.12
14 Herlin Olli		158,000	158,000	0.25	15,800	0.11
15 Herlin Ville		158,000	158,000	0.25	15,800	0.11
16 Etera Mutual Pension Insurance Company		156,368	156,368	0.24	15,636	0.10
17 Sigrid Jusélius Foundation		114,900	114,900	0.18	11,490	0.08
18 Livräntestalten Hereditas		108,000	108,000	0.17	10,800	0.07
19 Kivekäs Liisa		107,919	107,919	0.17	10,791	0.07
20 OMX Helsinki 25 Exchange Trade Fund		102,256	102,256	0.16	10,225	0.07
Total	9,526,089	21,722,145	31,248,234	48.79	11,698,299	78.11
Nominee registered			24,373,026			
Other owners			8,425,200			
Total number of shares issued			64,046,460			

Signatures for Board of Directors' Report and Financial Statements

Helsinki, January 30, 2007

Ilkka Herlin
Chairman of the Board

Henrik Ehrnrooth
Deputy Chairman

Carl-Gustaf Bergström
Member of the Board

Tapio Hakakari
Member of the Board

Karri Kaitue
Member of the Board

Peter Immonen
Member of the Board

Mikael Mäkinen
President and CEO

Auditors' Report

To the shareholders of Cargotec Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Cargotec Corporation for the period 1.1.–31.12.2006. The Board of Directors and the President and CEO have prepared the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, as well as the report of the Board of Directors and the parent company's financial statements, prepared in accordance with prevailing regulations in Finland, containing the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, as well as on the report of the Board of Directors, the parent company's financial statements and the administration.

We conducted our audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the report of the Board of Directors and the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the report of the Board of Directors and 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 the administration is to examine whether 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, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view, as defined in those standards and in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position.

Parent company's financial statements, report of the Board of Directors and administration

In our opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The parent company's financial statements give a true and fair view of the parent company's result of operations and of the financial position.

In our opinion the report of the Board of Directors has been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The report of the Board of Directors is consistent with the consolidated financial statements and the parent company's financial statements and gives a true and fair view, as defined in the Finnish Accounting Act, of the result of operations and of the financial position.

The consolidated financial statements and the parent company's 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 disposal of distributable funds is in compliance with the Companies' Act.

Helsinki, January 30, 2007

PricewaterhouseCoopers Oy

Authorised Public Accountants

Jouko Malinen

Authorised Public
Accountant

Johan Kronberg

Authorised Public
Accountant

Information for Shareholders

Dividend Payment

Cargotec Corporation's Board of Directors will propose to the Annual General Meeting convening on February 26, 2007, that of the distributable profit, a dividend of EUR 0.99 per each class A share and EUR 1.00 per each class B share in circulation be paid. The dividend will be paid to shareholders registered in Cargotec's shareholder register held by the Finnish Central Securities Depository on the record date of dividend payment, March 1, 2007. The date proposed by the Board of Directors for the dividend payment is March 8, 2007.

Orders and Changes of Address

Cargotec Corporation publishes an annual report, interim reports, and stock exchange releases in English and Finnish. The annual report is mailed to all Cargotec shareholders. The annual report, interim reports, and releases are also available on the Internet at www.cargotec.com, where you can also request that the material be sent to your e-mail address. In addition, financial material 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 +358 204 55 4284; or by fax from +358 204 55 4275.

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

Analysts

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

Investor Relations

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

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Closed Window

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

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Cazenove	Erik Karlsson	+44 20 7155 6203
Cheuvreux	Johan Eliason Patrik Sjöblom	+46 8 723 5177 +46 8 723 5115
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Evli Bank	Jari Harjunpää	+358 9 4766 9726
eQ Bank	Erkki Vesola	+358 9 6817 8402
FIM	Lauri Saarela	+358 9 6134 6307
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Product Glossary

Hiab



Truck-mounted loader cranes are used in many applications, such as transportation of building materials or industrial products, in construction etc.

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



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



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



Forestry and recycling cranes

include robust cranes used in logging trucks, durable harvester and forwarder cranes, as well as cranes used in the recycling industry and as stand-alone industrial units.



Kalmar

Ship-to-shore cranes

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



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



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



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



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



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



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

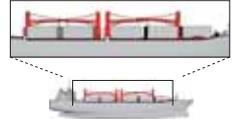


Log stackers are used in the forest industry for unloading round wood from trucks and railroad cars and transporting it to stock or production process.

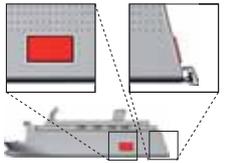


MacGREGOR

Optimised cargo flow solutions delivered for all types of dry cargo ships include **deck cranes, customised hatch covers, fixed and loose lashing systems and bulk handling systems.**

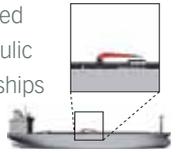


Cargo access equipment and advanced lashing systems are delivered for car carriers, coastal RoRos and RoPax ferries.



Offering also includes design and supply of land and port systems.

Tankers are supplied with electro hydraulic cranes and naval ships with **hatch covers, cranes, RoRo access, and other cargo handling equipment.**



Dry bulk handling solutions are designed and supplied for bulk terminals and transloading. Bulk terminals are also supplied with storage solutions.



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

Cargotec Key Figures

		Financial period 2006	Pro forma 2005	Financial period Jun 1–Dec 31, 2005	Pro forma 2004
Orders received	MEUR	2,910	2,385	1,366	2,337
Order book Dec 31	MEUR	1,621	1,257	1,257	1,219
Sales	MEUR	2,597	2,358	1,419	1,900
Operating income	MEUR	239.5	194.8	124.6	123.9
Net income for the period	MEUR	166.1	136.6	87.4	78.1
Return on equity	%	20.2	19.2	20.8	12.6
Return on capital employed	%	23.1	20.9	21.9	12.9
Gearing	%	12.3	15.7	15.7	43.0

Sales by Business Area



■ Hiab 35%
■ Kalmar 46%
■ MacGREGOR 19%

Sales by Market Area



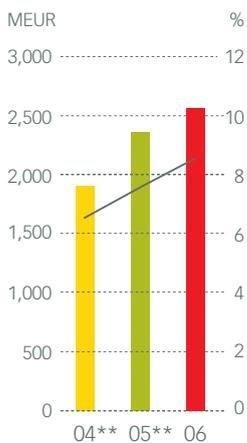
■ EMEA 53%
■ Americas 28%
■ Asia Pacific 19%

Employees by Market Area



■ EMEA 71%
■ Americas 14%
■ Asia Pacific 15%

Sales and Operating Income from Operations (%*)

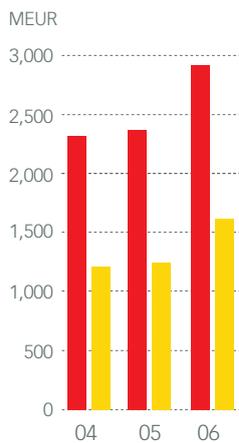


2004: ■ MEUR 1,900 6.5%
 2005: ■ MEUR 2,358 7.6%
 2006: ■ MEUR 2,597 8.5%

* 2005: excluding EUR 15.4 million gain on the sale of Consolis
 2006: excluding EUR 17.8 million gain on the sale of property

** Pro forma

Orders Received* and Order Book**

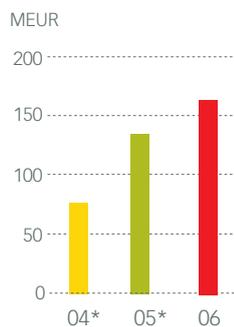


2004: ■ MEUR 2,337
■ MEUR 1,219
 2005: ■ MEUR 2,385
■ MEUR 1,257
 2006: ■ MEUR 2,910
■ MEUR 1,621

* Pro forma for 2004 and 2005

** Pro forma for 2004

Net Income for the Period



2004: ■ MEUR 78.1
 2005: ■ MEUR 136.6
 2006: ■ MEUR 166.1

* Pro forma



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